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Wedding of the Prince of Wales

The wedding of the Prince of Wales took place in London on 29 July

On Wednesday 29 July the Prince of Wales married the Lady Diana Spencer at St Paul's Cathedral in the presence of the Queen, the Duke of Edinburgh, the Queen Mother and other members of the Royal Family. Many heads of State and Prime Ministers of foreign and Commonwealth countries attended the ceremony. The wedding was solemnised by the Archbishop of Canterbury and the Dean of St Paul's, and prayers were also said by the Cardinal Archbishop of Westminster and the Moderator of the General Assembly of the Church of Scotland.

The day was a public holiday throughout Britain. It is estimated that a million people lined the processional route and that a further 750 million all over the world watched the ceremony on television.

The bride will now be known as Her Royal Highness the Princess of Wales.

Belize

In talks between the British and Belize Governments in July, it was agreed that Belize would become independent on 21 September. Belize is to apply for membership of the Commonwealth and of the United Nations.

Legislation providing for the independence of Belize, which has had full internal self-government since 1964, has been passed by the British Parliament and received the Royal Assent at the end of July. The draft constitution, approved by a constitutional conference in April (see p 92), contains comprehensive provisions for the protection and entrenchment of fundamental human rights and freedoms. Belize will become a constitutional monarchy with the Queen as head of State and represented by a Belizean Governor-General appointed by her after consultation with the Prime Minister of Belize. The House of Representatives as at present will be elected by universal suffrage, and the Senate's eight members will be appointed by the Governor-General – five on the advice of the Prime Minister, two on the advice of the Leader of the Opposition, and one after consultation with a Belize Advisory Council.

The coming of independence has been hampered by a territorial claim on Belize by Guatemala. The most recent attempt to resolve the issue resulted in the signature by Britain, Belize and Guatemala of 'Heads of Agreement' in March (see p 92). Although subsequent negotiations have not resulted in a formal treaty, the parties have indicated their willingness to co-operate fully in the future and to promote and preserve peace in the area.

Details concerning the future security arrangements for Belize were given in a joint statement of the British and Belizean Governments issued on 26 July. Recognising its responsibility to bring Belize to secure independence, Britain has agreed to maintain forces in Belize after independence for an appropriate period, and to provide military training, aid and assistance to help the development of the Belize Defence Force established in 1977. In addition, certain countries in the region are to be invited to participate in arrangements with Britain under which, in the event of externally organised or supported armed attack against Belize, they would consult together to consider what measures should be taken.

A COI reference paper to mark the independence of Belize is in preparation.

Antigua

In July both Houses of Parliament approved an Order-in-Council providing for the Associated State of Antigua to become the independent constitutional monarchy of Antigua and Barbuda on 1 November. The first Prime Minister of the independent state will be Mr V. C. Bird, the present Premier and Leader of the Antigua Labour Party.

Following a constitutional conference in London in December 1980 (see p 5), the Antigua Government revised its draft independence constitution to take account of the discussions at the conference, particularly with regard to providing consti-

tutional safeguards for Barbuda. Under the revised constitution, the approval of both houses of the Antigua Parliament and of a two-thirds majority in a referendum will be required for any change to the constitutional provisions regarding the Barbuda Council. In addition, the consent of the Barbuda Council will be required before any change can be made to the Barbuda Local Government Act. This Act, under which the Council was established in 1976, was amended in May and June 1981 to increase the Council's powers. These now include exclusive administrative responsibility for agriculture and forestry; public health, medical and sanitary facilities; electricity, water and other public utilities; and the construction, improvement and maintenance of roads. Provision has also been made for the raising and collecting of revenue to meet the costs of these responsibilities.

Sources: *Hansard*, Vol 8, No 138, cols 514-53; *Hansard* (*HL*), Vol 422, No 117, cols 1, 171-83.

EXTERNAL AFFAIRS AND DEFENCE

Britain and the Commonwealth

The twenty-third meeting of Commonwealth heads of Government will be held in Melbourne, Australia, from 30 September to 7 October. With a combined population of over 1,000 million people drawn from the world's main races and from all continents and oceans, the Commonwealth is a free association of more than 40 independent sovereign states.

This article summarises a speech made to the Royal Commonwealth Society on 23 June by the Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, Mr Richard Luce. In his speech Mr Luce discussed the aims of the Commonwealth, the prospects for the meeting in Melbourne, and the changing nature of Britain's relations with the Commonwealth.

The Commonwealth

Quoting the Singapore declaration from the 1971 heads of Government meeting – 'The Commonwealth of nations is a voluntary association of independent sovereign states . . . consulting and co-operating in the common interests of their peoples and in the promotion of international understanding and world peace' – Mr Luce discussed the nature of the Commonwealth. He emphasised that each member had its own idea of the association's role and value – some seeing it as a useful international forum for the projection of opinions, others attaching most importance to its work in development. What the Commonwealth certainly was not was 'some sort of modern extension of British imperial policy of the past'. Britain was strongly committed to the association as one of equal independent sovereign states, recognising its diversity, 'its role as a pathfinder' in seeking answers to the many problems that beset a divided world, and its drawing together in understanding and harmony of 44 countries,[1] a quarter of the world's population.

The association, Mr Luce continued, was bound together partly by a common history which had passed on, to a greater or lesser extent, similar infrastructures, education and legal systems, and a common language, and partly by shared ideals. The Singapore declaration had included the following: 'We believe that international peace and order are essential to the security and prosperity of mankind. . . . We believe in the liberty of the individual, in equal rights for all citizens . . . and in their inalienable right to participate by means of free and democratic political processes in framing the society in which they live. . . . We recognise racial prejudice as a dangerous sickness. . . . We believe that the disparities in wealth now existing between different sections of mankind are too great to be tolerated. . . .'

On a practical, day-to-day level Mr Luce saw great strengths in the style in which the Commonwealth conducted its affairs, and in the efficacy of its machinery. 'The Commonwealth style combines a business-like approach and efficiency with friendliness and informality. When heads of Government meet, they do so as equals and friends; they talk frankly, sometimes bluntly, but generally to good purpose.' The same style and qualities were mirrored at lower levels. As to machinery, Commonwealth members owed much to the Commonwealth Secretariat and its development wings, especially the Commonwealth Fund for Technical Co-operation, 'one of the most cost-effective agencies in the field today', and to the staffs of the Commonwealth Foundation and of the very many unofficial Commonwealth bodies.

In a world where opinions were increasingly polarised and where tensions grew ever stronger and more dangerous, Mr Luce continued, Britain valued the association for the great range of opportunities it provided and for the exchange of views and information, leading, if not always to agreement, at least to mutual understanding. The minister drew particular attention to the Commonwealth Parliamentary Association; he believed that its work of arranging exchange visits by Commonwealth parliamentarians greatly helped to encourage parliamentary democracy throughout the Commonwealth – 'in this connection we have all watched with interest and pleasure the return to civilian rule in Ghana and Nigeria'.

Recent Achievements and the Future

The association had recently enjoyed an outstanding achievement, said Mr Luce. The successful outcome of Britain's attempts to find a solution to the Rhodesia problem had owed much to the Commonwealth, and Zimbabwe's independence had been an event of which members could be

[1] Belize and Antigua, which are to become independent in September and November respectively (see p 215), are expected to apply for Commonwealth membership.

rightly proud (see p 155, 1980); it had also brought to an end an era during which the Rhodesia issue had dominated Commonwealth thinking and had vitiated Britain's normally excellent relations with some of its Commonwealth friends.

On a smaller scale, the Commonwealth's involvement in the 1980 Ugandan elections provided further proof that the association could act speedily and efficiently 'as a positive force for good in world affairs'. It had been the first time that an independent Commonwealth country had asked for Commonwealth observers to monitor its national election.

The 'new spirit of confidence' born of these successes coincided with the fiftieth anniversary, in 1981, of the Statute of Westminster which defined the then relationship between Britain and the Dominions. As such, Mr Luce explained, it had not established the Commonwealth as it is known today, but it had been effectively the foundation-stone upon which the association had subsequently been built.

Turning to the Commonwealth's role in the future, Mr Luce said that, with its mosaic of rich and poor countries and its traditional combination of high level discussions and lower level technical and functional co-operation, the association was well placed to contribute in the field of economic relations between the industrial and the developing worlds. As a multi-racial organisation, the Commonwealth should also be able to assist the solution of the remaining problems of southern Africa.

With current economic problems and the grave problems facing the poorer developing countries, the challenges ahead were major ones, both for the Commonwealth and for the world community. Mr Luce spoke of the limits to what the Commonwealth could do or try to do. The association's very diversity meant that its members did not enjoy a common outlook on all issues, or on the strategy or even the tactics of the way progress on them could be made. The Commonwealth's fora, including the heads of Government meetings, operated by consensus, and where there were substantial areas of disagreement no progress was possible. This effectively limited what the association could do and what it could reasonably be asked to attempt. A further limitation, one these days of growing importance, was a lack of funds.

Nevertheless, Mr Luce pointed out, in an era of confrontation and deadlock in international economic relations, the Commonwealth's tradition of consensus was a source of strength for itself, and an example for the world. 'The problems of the world's poor will not be solved by polemics, by accusations and counter-accusations, nor by ideological sparring. What is needed is a meeting of minds, a common identification of practical problems and a common search for practical solutions. The Commonwealth is uniquely well qualified to point the way in such a search.'

In other fields, too, the Commonwealth had worthwhile and practical work to do. Besides the Commonwealth Fund for Technical Co-operation, there were the association's continuing efforts to help small and especially disadvantaged states, a 'valuable and growing interest' reflecting the fact that a large proportion of the Commonwealth's membership was made up of small Pacific and Caribbean islands. Mr Luce hoped that such help would continue, and also that such activity would 'draw the Commonwealth's focus to some extent away from the region and towards a more balanced reflection of the association's interests as a whole'.

Paradoxically, the Commonwealth's general interests might well be enhanced by an increase in the regional activity of its members. The Asian and Pacific Commonwealth countries had welcomed the series of heads of Government regional meetings, and there was growing functional and economic co-operation in these areas. Mr Luce welcomed as much of this kind of development as was compatible with the association's overall identify of interest.

Heads of Government Meeting

The heads of Government meetings, Mr Luce believed, represented the Commonwealth's greatest asset, with their lengthy discussions and perhaps unique informality. An immense range of issues came within a short agenda under three broad headings: 'The World Political Scene', 'The World Economic Situation and Prospects' and 'Commonwealth Co-operation'.

With southern African issues 'bound again to feature this year', Mr Luce emphasised that the British Government 'abhors apartheid and shares the desire to see progress within South Africa towards a government based on the consent of South Africans of all shades of colour and opinion'. It was convinced that the future stability and well-being of the region depended on an internationally acceptable solution being found to the Namibia problem and on peaceful change within South Africa itself. Despite their disappointment at the failure of the pre-implementation meeting in Geneva in January (see p 39 and also p 142), the five Western powers, which include two Commonwealth countries (Britain and Canada), were continuing their efforts in the search for a peaceful settlement for Namibia based on Security Council resolution 435, and Britain looked forward to the time when, in the words of the communiqué issued after the 1975 heads of Government meeting, 'the government and people of Namibia might be welcomed into the Commonwealth, if that were their wish'.

Another issue for Melbourne would be the question of sporting contacts with South Africa. Mr Luce recognised that there were different views about British policy, and explained that the Government fully supported the 'Gleneagles agreement',[1] though it lacked, and indeed would not generally wish to have, the powers to control the activities of Britain's sporting bodies and

[1]The 'agreement' is a joint policy statement on apartheid in sport issued by Commonwealth heads of Government in 1977 (see p 261, 1977). The South African Springboks rugby union tour of New Zealand has recently focused attention on the statement. The venue for the August meeting of the Commonwealth finance ministers meeting has been switched from New Zealand to the Bahamas.

individuals (see also p 204). This had been demonstrated at the time of the 1980 Olympic Games when the majority of British sporting bodies had chosen, against government advice, to send teams to Moscow. 'It may be argued, too,' Mr Luce continued, 'that it is wrong to ignore the evidence of some movement in South Africa towards multi-racialism in sport. This still has a long way to go; but it is certainly a trend to be encouraged.' He warned that a collective Commonwealth decision to take more powers to prevent sporting contacts with South Africa could lead to the degree of governmental control over nationals that the Government so deplored in South Africa itself and in the totalitarian states of the Soviet bloc: 'The Commonwealth', he said, 'is a free association of free peoples.'

With international economic problems likely to figure prominently at the forthcoming meeting, Mr Luce drew particular attention to those facing the poorest developing countries, and emphasised Britain's concern. The Government welcomed the opportunity to tackle the issues at the Ottawa economic summit (see p 225), in Melbourne and at the Cancun summit in October (see p 220). Britain had welcomed the Brandt report (see p 220) which had had an invaluable effect in heightening awareness of the problems facing developing countries.

The British contribution to the process of development was substantial, running much wider than purely aid and including important areas such as trade, investment and technology. Within the European Community, for example, Britain was second only to the Federal Republic of Germany in the share of its manufactured imports coming from developing countries. It provided more direct private investment to developing countries in 1979 than France and the Federal Republic together. The substantial aid programme amounted to over £1,000 million in 1981-82, and in 1980 over 60 per cent of British bilateral aid went to the poorest countries, virtually all of it on grant terms. Britain had also supported major changes in the International Monetary Fund and the World Bank; and a very large contribution was made by the Commonwealth Development Corporation (see p 167), the Crown Agents (see p 205) and British voluntary organisations.

Britain's Relations with the Commonwealth

Turning to the changing nature of Britain's relations with the Commonwealth, Mr Luce said that 'as the former metropolitan power' Britain's relationship with the Commonwealth was unique. Commonwealth membership reflected very closely the composition of Britain's former Empire, and its colonial origins were thus obvious. Mr Luce took pride in the largely peaceful and co-operative transition from Empire to Commonwealth, but he recognised that for many, both in Britain and within the rest of the Commonwealth, the association's origins constituted 'a source of mixed and sometimes bitter feelings'. Stating the British Government's position, he said: 'We have no wish to dominate nor to over-react by withdrawal. We want no more and no less than equal partnership and for this aim of ours to be recognised Commonwealth-wide. We want to be judged not by what we were, but by what we are today.'

Britain's Commonwealth partners should see that 'we are comparatively well off in an association whose members are for the most part poor'; they should see, too, that 'we have major albeit temporary economic problems'. Britain's contribution to the process of development had to depend on its ability to overcome its own economic difficulties; once recovered, Britain would be able to play an even fuller part in the world's economic activity.

Mr Luce denied 'a certain detachment from Commonwealth activities' on Britain's part. Fears that, with membership of the European Community and with most of its former dependent territories now independent, there would be an inclination 'to concentrate on interests closer to home' were understandable but groundless. Britain remained a major trading nation with worldwide interests. It was not alone in the Commonwealth in forging closer links with the regional economic grouping to which it naturally belonged. European Community membership would help to enhance Britain's contribution to the Commonwealth in the 1980s, bringing to the association's deliberations the added weight and influence gained as a member of a group of ten countries. At the same time, Mr Luce continued, Britain had furthered the economic interests of the developing Commonwealth by ensuring that countries in Africa, the Caribbean and the Pacific benefited from guaranteed access to Community markets under the provisions of the Lomé Convention (see p 322, 1979 and p 202).

Financial Aspects

Turning to the financial aspects of Britain's concern for the Commonwealth, Mr Luce explained that two-thirds of the gross expenditure under the country's bilateral aid programme went to individual Commonwealth members. In 1979 gross expenditure had been over £433 million. Britain was also by far the largest contributor to Commonwealth organisations: its assistance to official Commonwealth bodies in 1980 – assistance given automatically year by year – was about £7 million, comprising British support for the Commonwealth Secretariat, the Commonwealth Fund for Technical Co-operation, the Commonwealth Youth Programme, the Commonwealth Foundation, the Commonwealth Science Council, the Commonwealth Agricultural Bureaux and the Commonwealth Forestry Institute.

Britain had also continued to provide nearly all of the funding of the Commonwealth Institutes in London and Edinburgh at a total cost of £1·68 million, and to perform a range of consular functions on behalf of Commonwealth governments in foreign countries where those governments were not represented. A very substantial contribution had been made to the Commonwealth observer teams in Zimbabwe and Uganda, as well as considerable support towards the costs of the elections in Uganda; and large sums had

been provided for the new Industrial Development Unit within the Commonwealth Fund for Technical Co-operation (see p 90, 1979) and the Commonwealth Media Exchange Fund.

New editions of two COI reference publications, *Britain and the Commonwealth* and *Britain's Associated States and Dependencies* are being printed. A reference paper to mark the heads of Government meeting is in preparation.

The Brandt Report

Britain's willingness to assist developing countries in their fight against poverty was reaffirmed by the Lord Privy Seal, Sir Ian Gilmour, in a parliamentary debate on the Brandt report in July. Sir Ian also emphasised Britain's determination to play its part in forthcoming international meetings concerning the developing countries and their place in the world economy.

A special summit, the International Meeting for Co-operation and Development, is to meet in Cancun in Mexico on 22 and 23 October, and will discuss a range of development issues, including food security and agriculture; commodities, trade and industrialisation; energy; and monetary and financial issues. Directly inspired by the Brandt report (see pp 101-5 and 209-12, 1980), the summit will be attended by 22 countries, these being representative of the developed countries which attended the recent economic summit in Ottawa (see p 225), members of the Organisation of Petroleum Exporting Countries (OPEC) and non-oil-producing developing countries. Britain will be represented at the meeting by the Prime Minister, Mrs Margaret Thatcher, and the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington. The latter also attended a preparatory meeting of foreign ministers at Cancun on 1 and 2 August.

Development issues will also figure prominently at the Commonwealth heads of Government meeting in Australia, which opens on 29 September. In addition, a United Nations conference on new and renewable sources of energy opened in Nairobi on 10 August, and another on the problems facing the least developed countries will meet in Paris in early September.

LORD PRIVY SEAL'S SPEECH

Interdependence

Referring to the Brandt report's description of the momentous problems facing the developing countries, Sir Ian Gilmour told the House of Commons (*Hansard*, Vol 9, No 148, cols 727-34) that both the Government and the British people believed that Britain, if only for reasons of humanity and justice, should take part in the fight against poverty and assist people in the Third World to live a better life. This was reflected in the efforts of the British voluntary agencies in their relief work and their small-scale development projects, and the Government had maintained in real terms help for them through the joint funding scheme.[1] Such assistance, however, was not only a moral imperative; it was also a matter of mutual economic interest. All nations would benefit from better international economic arrangements and the removal of obstacles to development. Growth within the Third World and growth in trade between developed and developing countries were also in Britain's interest. Living in 'One World' meant that increased prosperity was ultimately to the benefit of all.

At the same time, Sir Ian continued, interdependence obliged every government to follow responsible policies which helped and did not hinder its neighbours. Britain could not make the contribution it would like to without a strong economic base, and that was why it had to develop an efficient economy. Protection was not a responsible alternative, since it would damage both Britain's own economic efficiency and the prospects of many developing countries.

Interdependence, however, was not simply an economic matter, there being a close link between economic advance and political stability. When countries of the Third World became frustrated in their efforts to develop, their governments came under threat and instability increased. This benefited only the Soviet Union. (Perhaps, Sir Ian commented, this explained why the Soviet Union did so little to help the Third World, giving aid worth a mere 0·1 per cent of its gross national product in 1979.) Such instability also struck hardest at the poor and unprotected who became refugees and victims of famine. Britain, therefore, had the strongest political as well as humanitarian motives for helping those countries that sought to help themselves and to preserve democratic government and open societies.

Differing Views

Sir Ian then noted three points where the Government held views different from those of the Brandt report. Firstly, it did not agree that the outlook was bleak for all developing countries. Many had made great progress over the last two decades and were continuing to prosper in difficult circumstances. Secondly, it did not think that an overturn of the present world economic system, with its attachment to open markets and free movement of capital, would help. Instead, Britain wanted to improve it so as to give developing countries a better chance. Finally, while agreeing that governments had an important role, the British Government considered that the vital contribution being made by the private sector – by farmers, manufacturers, traders, bankers and investors – could be increased. All these, however, were differences on methods, not on goals. Britain would rather strengthen and adapt existing

[1]Under this scheme, the Government meets half the cost of selected development projects undertaken by the agencies and aimed at helping the poorest. Expenditure on the scheme exceeded £1·5 million in 1980.

institutions than create new ones. It preferred to reduce obstacles to private activity than to introduce new governmental regulations. It accepted, however, the moral, economic and political challenge which the Brandt report had presented to the world.

International Trade

Turning to the issues to be discussed at the Cancun summit meeting, Sir Ian noted that the volume of two-way trade between developed and developing countries was 25 times that of official aid flows. A progressive expansion of trade, he continued, was in the interests of all countries and vital to developing countries, and Britain would continue to help them by maintaining access to its markets for their products. As a member of the European Community, it offered trading preferences to the 61 developing countries in membership of the Lomé Convention (see p 322, 1979), these covering all their industrial exports and some 90 per cent of their agricultural exports. The Community's generalised scheme of preferences, renewed in January 1980, also offered greater benefits to the poorer countries.

Increased trade implied changes in the industrial structure, which brought problems, especially in times of slow growth, and which might necessitate special arrangements in a few especially sensitive sectors, such as textiles, to ensure that the pace of change was socially tolerable. As a major trading nation, however, Britain recognised the need to maintain the open trading system. The developed countries had resisted any widespread recourse to protectionism, this having been reaffirmed at the recent summit meeting in Ottawa (see p 225), and continued to provide markets for 70 per cent of developing countries' exports by value. Britain took 20 per cent of its imports from developing countries and the proportion of manufactures that it imported from them was the highest in the European Community after the Federal Republic of Germany.

At the same time, Sir Ian added, Britain looked to the more successful exporters among the developing countries, that were taking a growing share of the world market, to remove their own trade barriers as their economies strengthened and to take a fuller part in the international trading system. The Government hoped to keep up the momentum in trade matters and to give its full backing to the proposals for a ministerial meeting of the signatories to the General Agreement on Tariffs and Trade in 1982.

Food

Famine and malnutrition were the most acute problems faced by developing countries, Sir Ian observed, and the ones that most affected the conscience of the world. The only durable solution was to improve food production in the developing countries themselves. The primary responsibility for this lay with the developing countries, which had to choose wise policies and maintain them over a long period. These had to apply not only to food production itself, but to the whole rural sector, including land tenure, investment, storage and rational pricing policies that did not penalise farmers in favour of those in the towns. Population policies were also important. Britain, Sir Ian told the House, was ready to help in three main ways. Firstly, it would support the growing weight of investment by international lending agencies, such as the World Bank, in food and agricultural production. This was an area where relatively modest sums skilfully applied could do as much as large projects. Secondly, it would help to improve the trading environment and promote greater food security. Recent changes in International Monetary Fund facilities, which could now compensate countries facing a sudden increase in cereal import costs, would help in this direction. Britain also supported the conclusion of a new international wheat trade convention. Finally, the Government supported the new Food Aid Convention, and, even though Britain was a net food importer, would contribute some $50 million to it in 1981 either directly or through the European Community. However, Sir Ian emphasised, food aid was a temporary measure only and had to be given in ways that clearly promoted, and did not discourage, local food production (see also p 203).

Energy

The energy shortage and the massive oil price increases of 1979 and 1980 had produced a bitter economic setback for most developing countries, Sir Ian stated, and the extra they had to pay for oil imports far exceeded the total official aid they received. The first responsibility in this connection was to conserve energy resources, so as to take the strain off the oil markets, and the achievements of Western countries had been encouraging. It was also important to encourage energy production in the developing countries, and Britain had some large bilateral aid projects devoted to this, for example in Sudan and Sri Lanka (see p 359, 1980). It was also supporting efforts to enlarge multilateral funds for energy investment, for example from the World Bank. One objective of this was to generate additional private investment.

Continuing, Sir Ian pointed out that the United Nations conference on new and renewable sources of energy would pursue ways of making all countries, and especially developing countries, less dependent on dwindling resources of fossil fuels.[1] In the meantime, Britain would look for every opportunity to develop a dialogue with the oil-producing countries for a better understanding on matters of demand, supply and price of oil. Energy was an especially important element of the proposed global negotiations (see pp 292-3, 1980).

[1]Speaking at the conference on 11 August, the Secretary of State for Energy, Mr David Howell, announced that Britain has decided to earmark £2 million of its technical co-operation programme to assist developing countries, particularly the poorest ones with a high dependence upon oil imports, to plan their energy resources in order to help them adjust to the world energy market. This assistance will include basic studies on energy resources and future demand, and pre-investment studies related to energy development and conservation opportunities, including renewable energy resources.

Financial Flows

Finance was needed by all developing countries to supplement their own efforts to build up their investment, to sustain growth, and to adjust to present economic conditions. One essential element of this, Sir Ian stated, was aid. Britain's aid programme was the fifth largest of countries in membership of the Organisation for Economic Co-operation and Development and would exceed £1,000 million in 1981-82. To ensure that this was well used and went to those most in need, it was focused on the poorest countries, those which found it hard to increase their export earnings and could not raise finance from other external sources. In 1980, 62 per cent of bilateral aid went to the poorest countries, and in the last financial year about two-thirds, the highest proportion of the five major western donors. New developments within the programme included a programme for drinking water and sanitation and the fight against waterborne diseases as part of the United Nations decade (see pp 360-1, 1980); more to promote the better use of energy in developing countries; an expansion in agricultural research; and increased contributions to international population programmes. These areas deserved special attention. Much could be achieved by relatively small amounts of public money and they would especially help the poorer countries.

Turning to private financial flows, Sir Ian pointed out that these provided nearly two-thirds of the total funds reaching developing countries. Britain's performance was particularly strong, having fulfilled, nearly three times over, the United Nations 1 per cent target for combined public and private flows in 1979. Private direct investment was a vital source of capital, technology and managerial skills for developing countries, and Britain invested more overseas in relation to gross national product than its major European partners. Bank lending also helped to recycle funds originating with OPEC countries, the risk being carried by banks in the City of London. A year ago, some had thought that the banking system was on the point of collapse. However, this view under-rated the skill of the banks and the determination of borrowing countries to remain creditworthy. Though some countries still remained vulnerable, others had adjusted successfully and were now on the road to recovery.

Indispensible support was also provided by the International Monetary Fund and the World Bank. The Fund had greatly increased the amounts that it could lend and was gathering resources to sustain these larger commitments. Saudi Arabia had concluded a large loan agreement with the Fund, while Britain had contributed to a loan arrangement with a group of central banks (see also pp 202-3). Moreover, the Fund was tailoring its conditions to the situation of each borrowing country in a humane and sensible way. Similarly, Britain had supported the doubling of the World Bank's capital and was contributing 10 per cent of the sixth replenishment of the International Development Association. It was also taking part in negotiations to replenish the regional development banks, and hoped to join the African Development Bank in the near future (see p 169).

Conclusion

In conclusion, Sir Ian stressed that Britain was approaching the coming international discussions in close consultation with its Western partners. At the Ottawa summit, for instance, the participants had emphasised their support for the stability, growth, independence and genuine non-alignment of developing countries, reaffirmed their commitment to co-operate with them, and called upon the Soviet Union and its allies to do the same. They had further undertaken to maintain substantial aid policies, given their backing for the international financial institutions, and stressed the importance of access to their markets and of accelerated food production in developing countries.

Britain was also in close touch on these matters with other members of the Commonwealth, and the Commonwealth heads of Government meeting in Melbourne in October (see p 218) was bound to devote much of its attention to issues affecting the developing world. Britain hoped that the open and informal atmosphere that prevailed at Commonwealth meetings would provide something of a pattern for the Cancun summit meeting. The latter, Sir Ian hoped, would lead to a meeting of minds at the highest level which, in turn, would influence the whole range of activities elsewhere, promote a greater understanding of the problems, and result in a greater urgency and common purpose in tackling them.

The Middle East

Britain joined other members of the United Nations Security Council in late July in calling for an end to the fighting between Israel and the forces of the Palestinian Liberation Organisation (PLO) that had been going on since 10 July, and for the establishment of a just and lasting peace both in Lebanon and in the Middle East as a whole. The heads of State and Government attending the Ottawa Economic Summit in July expressed their concern at the violence in the region (see p 227). On 24 July a ceasefire, arranged through United Nations and United States intermediaries, was accepted by the Israeli Government and the PLO.

After a week of escalation in the fighting which included Palestinian shelling of Israeli border settlements and an air raid by the Israeli air force on Beirut, the President of the United Nations Security Council issued a statement on 17 July which expressed deep concern at the loss of life and the destruction caused by the fighting and appealed for an immediate end to all armed attacks. This call was reiterated in the Security Council's resolution, adopted unanimously on 21 July, which also reaffirmed the Security Council's commitment to the sovereignty, territorial integ-

rity and independence of Lebanon within its internationally recognised boundaries.

British Views

The British Government has fully supported the actions taken by the Security Council. Commenting on the Israeli raids into Lebanon, Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office, told a press conference in Amman, Jordan, on 19 July that Britain was against any attempt to settle differences by violence. Violence by the PLO, he pointed out, did not advance peace, but the retaliation by Israel was not at all justified. The British Government, as President of the Council of Ministers of the European Community and acting at the request and on behalf of Community members, had already made this known to the Israeli Government.

These views were repeated by Britain's Permanent Representative at the United Nations during the Security Council debate on the crisis. Referring to Israeli military action against the PLO, Sir Anthony Parsons said: 'Surely no-one can claim that the policy of "pre-emptive strikes", with its horrible trail of human destruction, can conceivably advance the cause of peace. . . . All that it can and does do is to lead to "retaliatory acts" which mean more death and more destruction. That is the so-called cycle of violence. It can only be broken if restraint is exercised on all sides, and if the temptation to retaliate is resisted.' He reiterated the British Government's opinion that the heart of the matter was the recognition by Israel of the legitimate rights of the Palestinian people and, equally, the recognition by the Palestinians and the Arab world generally of the state of Israel. A long-term settlement was not possible until both sides accepted this. Sir Anthony urged each party to renounce violence and to take the path of peaceful negotiation.

As fighting continued unabated, the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, called in the Israeli ambassador in London on 23 July and stressed the British Government's concern at the loss of life still going on and underlined the need for the Israeli Government to respond positively to the efforts of the United Nations and the United States[1] to achieve peace.

Cambodia

Britain and its partners in the European Community have given their support to United Nations proposals for promoting a comprehensive political settlement of the Cambodian problem.

The proposals are contained in a declaration adopted by consensus at the International Conference on Kampuchea held in New York between 3 and 17 July. A resolution establishing an *ad hoc* committee to assist in the implementation of the proposals was also adopted. The Conference, convened under a General Assembly resolution of October 1980 (see pp 316-17, 1980), was attended by some 90 states. Britain was represented by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, who, on 15 July, addressed the Conference on behalf of all the members of the European Community. The Soviet Union and Vietnam declined to send representatives, as did the Government of the People's Republic of Kampuchea, which was established in Cambodia in January 1979 following Vietnam's invasion of that country. The Government of Democratic Kampuchea, the regime ousted by the Vietnamese invasion, was represented.[1]

The Declaration

The principal elements of the solution outlined in the Declaration envisage negotiations to reach agreement on a ceasefire by all the parties concerned and on the early withdrawal of foreign forces under the supervision of a United Nations peacekeeping force/observer group; the latter to be followed by United Nations supervised elections to enable the Cambodian people freely to elect a government of their own choice. The importance of measures to prevent armed Cambodian factions interfering with the electoral process and to maintain law and order prior to the establishment of a new government is also stressed.

It is considered essential that Cambodia should be non-aligned and neutral and for its new government to declare that it will not pose a threat to or be used against other states, particularly those on its borders. In parallel with this, the permanent members of the United Nations Security Council, all states in South-East Asia and other concerned countries are called upon to commit themselves, *inter alia*, to respect and observe Cambodia's independence, sovereignty, territorial integrity and its non-aligned status; to refrain from all forms of interference in its internal affairs; not to engage it in a military alliance or any other agreement inconsistent with its non-aligned and neutral status; not to introduce foreign troops or establish a military base within its borders; and not to pose a threat to its security or survival as a sovereign nation.

Following the achievement of a settlement on these lines, the Conference suggests the setting-up of an inter-governmental committee to consider a programme to help reconstruct Cambodia's economy and assist in economic and social development throughout the region.

Finally, noting the absence of Vietnam and other states from the Conference, the Declaration urges them to participate in future sessions and calls upon Vietnam to take part in the proposed negotiations.

[1]On 20 July President Reagan, citing the escalation of violence in the Middle East, postponed the shipment of ten F16 aircraft to the Israeli air force. Deliveries of aircraft had already been suspended following the Israeli air raid on the nuclear power station in Iraq in June (see p 169).

[1]Britain does not recognise any government in Cambodia, having withdrawn recognition of the Government of Democratic Kampuchea on 6 December 1979 (see pp 19-20, 1980).

Lord Carrington's Statement

After paying tribute to the persistent efforts of the members of the Association of South-East Asian Nations to promote a settlement of the Cambodian conflict through the United Nations (see pp 316-17), Lord Carrington said that the objective of the present meeting was to show that this peaceful route could point the way to a solution which protected the essential concerns of all the interested parties and threatened none. The Community's view, first set out by the European Council in November 1979 and recently reaffirmed by the Council at its meeting in June 1981 (see p 202), was that the solution should be based on an independent and neutral Cambodia, with a genuinely representative government, free from any foreign military presence and maintaining friendly relations with all the countries of the region. This could only be achieved on the basis of the General Assembly's resolution of October 1980.

Any settlement, the Foreign Secretary continued, had to satisfy two requirements. Firstly, it had to give the people of Cambodia the chance to determine freely the form of government and leadership they wanted. Secondly, it had to embody the necessary understandings as to Cambodia's future relations with its immediate neighbours, and also with more distant powers which had exercised or might seek to exercise influence in that country. (In the light of recent history, Lord Carrington commented, Cambodia's neighbours had every right to insist that a future Cambodian government would conduct itself as a fully responsible member of the international community.) An essential step was the complete withdrawal of Vietnamese forces from Cambodia, and this had to be followed by effective measures to ensure that no armed group could either seize power by force or use the threat of force to intimidate the Cambodian people and so deprive them of their right to self-determination. The proposals before the Conference, Lord Carrington considered, provided an eminently satisfactory basis for a solution. When fully worked out, they would meet both the desire of the Cambodian people for self-determination and the legitimate concerns of its neighbours for the behaviour of Cambodia in the future.

The European Community, Lord Carrington assured the Conference, would play a full and constructive part in working for the proposals' implementation. Only with a durable solution of this nature, he added, would it be possible for the Community, which had so far provided over 40 per cent of the resources of the international relief operation for Cambodia, to contribute to the international effort required to rebuild the Cambodian economy.

ECONOMIC AND SCIENTIFIC AFFAIRS

Ottawa Economic Summit

The reduction of inflation and of unemployment were agreed to be the matters of the highest priority at the economic summit held in Ottawa on 20 and 21 July. These were felt to be linked problems which had to be dealt with together. The leaders reaffirmed their commitments to the developing countries, to the maintenance of liberal trade policies and to accelerated development of conventional and new sources of energy. The political issues discussed included the Middle East, East-West relations and Afghanistan and a statement on international terrorism was also issued.

The heads of State and Government of seven of the major industrial countries – Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States – met in Ottawa to discuss economic and political issues. The President of the European Commission, M Gaston Thorn, was also present. Unlike the two previous summits, held in Tokyo in 1979 (see pp 198-200, 1979) and in Venice in 1980 (see pp 213-16, 1980) – at which the impact on the world economy of the second major rise in oil prices had been the central theme – the meeting was not dominated by a single subject, and the participants covered many of the major economic and political problems facing the Western world.

The Prime Minister, Mrs Margaret Thatcher, told the House of Commons on 23 July (*Hansard*, Vol 9, No 148, cols 495-6) that the leaders had agreed that there was a prospect of moderate economic growth in the coming year but that at present there was little promise of early relief from unemployment. They had noted that interest rates had reached record levels in many countries and, if they remained at these levels for long, would threaten productive investment.

Mrs Thatcher went on to say that the discussions had linked the two elements necessary to the preservation of the free world and of the free market economy which sustained it: on the one hand, defence and the maintenance of peace and, on the other, the health and soundness of the world economy. 'Altogether, it was a most important and worthwhile meeting', the Prime Minister concluded.

The main points of the declaration on economic issues, a summary of political issues and a statement on international terrorism are given below.

ECONOMIC ISSUES

The Economy

The declaration on economic issues states that the primary challenge to which the heads of State and Government had addressed themselves was the need to revitalise the economies of the industrial democracies in order to meet the needs of their own people and to strengthen world prosperity.

Since the Venice summit in June 1980 the average rate of inflation in the seven countries had fallen although the annual percentage rate remained in double figures in four of them. Unemployment in many had risen sharply and was still rising. The large balance-of-payments deficits originating in the oil price increases of 1979-80 (see p 235, 1980) had so far been financed without imposing intolerable burdens of adjustment but they were likely to persist for some time.

The fight to bring down inflation and reduce unemployment, the declaration continues, had to be the highest priority and these problems, which were linked, had to be tackled at the same time. The reduction in inflation had to continue if countries were to secure the higher investment and sustainable growth on which the durable recovery of employment depended. There had to be balanced use of a range of policy instruments. Also, people had to come to 'a greater appreciation of the need for change, change in expectations about growth and earnings, change in management and labour relations and practices, change in the pattern of industry, change in the direction and scale of investment, and change in energy use and supply'.

In most countries an urgent reduction in public borrowing was required 'where our circumstances permit or we are able to make changes within the limits of our budgets'. The seven countries would increase support for productive investment and innovation. In recognising the need to accept the role of the market in national economies the declaration says 'we must not let transitional measures that may be needed to ease change become permanent forms of protection or subsidy'.

Low and stable monetary growth was seen as essential to reducing inflation. Although interest rates had their part to play in achieving this, they were likely to remain high where fears of inflation remained strong. The leaders were fully aware that levels and movements of interest rates in one

country could make stabilisation policies more difficult in other countries by influencing their exchange rates and their economies. Therefore, there was usually a need to contain budgetary deficits, restraining government expenditure when this was necessary. 'It is also highly desirable to minimise volatility of interest rates and exchange rates; greater stability in foreign exchange and financial markets is important for the sound development of the world economy.

'In a world of strong capital flows and large deficits', the declaration goes on, 'it is in the interests of all that the financial soundness of the international banking system and the international financial institutions be fully maintained.' The participants therefore welcomed the recently expanded role of the International Monetary Fund in financing payments deficits on terms which encouraged needed adjustment.

The declaration points out that, in shaping long-term economic policies, 'care should be taken to preserve the environment and the resource base of our planet'.

Relations with Developing Countries

The leaders declared their support for 'the stability, independence and genuine non-alignment of developing countries' and reaffirmed their commitment 'to co-operate with them in a spirit of mutual interest, respect and benefit, recognising the reality of our interdependence'. They recognised that it was in their interest as well as that of the developing countries that the latter should grow and flourish, playing a full part in the international economic system commensurate with their capabilities and responsibilities and becoming more closely integrated in it. The participants were looking forward to 'constructive and substantive discussions' with the developing countries and believed that the summit of developing countries to be held at Cancun (see p 220) offered an early opportunity to discuss common problems anew. They reaffirmed their 'willingness to explore all avenues of consultation and co-operation with developing countries in whatever forums may be appropriate'.

The declaration recognises that, while growth had been strong in most middle-income developing countries, serious economic problems were facing many other developing countries; the poorer ones in particular faced grim poverty. The participants remained ready to support the developing countries in their efforts to promote economic and social development within the framework of their own social values and traditions.

The leaders were committed to maintaining substantial and, in many cases, growing levels of official development assistance and would seek to increase public understanding of its importance. They would direct the major portion of aid to poorer countries and would take an active part in the United Nations Conference on the Least Developed Countries (see pp 292-3, 1980). The strengthening of their own economies, increasing of access to their markets and removal of impediments to capital flows would contribute larger amounts of needed resources and technology and thereby complement official aid. The flows of private capital would be further encouraged if the developing countries themselves provided assurances for the protection and security of investments.

The declaration calls for the Soviet Union and its partners to make more development assistance available and to take a greater share of the exports of developing countries while respecting their independence and non-alignment. It goes on to say that the participants will maintain a strong commitment to the international financial institutions and will work to ensure that they have, and make effective use of, the financial resources for their important responsibilities.

The leaders attached high priority to the resolution of the problems created for the non-oil developing countries by the high cost of energy imports following the two oil price rises. The declaration calls on the surplus oil-exporting countries to broaden their valuable efforts to finance development, especially in the field of energy, in non-oil developing countries. It goes on to recognise the importance of accelerated food production in the developing world and expresses deep concern about the implications of world population growth.

Trade

The participants reaffirmed their strong commitment to the maintenance of liberal trade policies and to the effective operation of an open multilateral trading system as embodied in the General Agreement on Tariffs and Trade. They would work together to strengthen this system in the interest of all trading countries, recognising that this would involve structural adaptation to changes in the world economy. They would implement the agreements reached in the multilateral trade negotiations (see pp 156-9, 1979) and would invite other countries, particularly developing countries, to join in these mutually beneficial trading arrangements. They would continue to resist protectionist pressures, recognising that any protectionist measure, whether in the form of overt or hidden trade restrictions or in the form of subsidies to declining industries, 'not only undermines the dynamism of our economies but also, over time, aggravates inflation and unemployment'. The leaders welcomed the new initiative represented by the proposal of the consultative group of 18 that the contracting parties of the General Agreement on Tariffs and Trade convene a meeting at ministerial level during 1982, in addition to the meeting of member countries of the Organisation for Economic Co-operation and Development as part of their programme of study of trade issues. The participants would keep under close review the role played by their countries in the smooth functioning of the multilateral trading system with a view to ensuring maximum openness of their markets while allowing for the safeguards provided for in the General Agreement. They also endorsed efforts to reach agreement by the end of 1981 on reducing the subsidy element in official export credit schemes.

Energy

The declaration expresses confidence that, with perseverance, the energy goals which were set at the Venice summit for the 1980s (see pp 213-14, 1980) could be achieved, enabling the participating countries to break the link between economic growth and oil consumption through structural change in their energy economies. In recognising the continuing vulnerability of their economies and that the supply of energy remained a potential constraint to a revival of economic growth, they would accelerate the development and use of all their energy sources, both conventional and new, and continue to promote energy saving and the replacement of oil by other fuels. In achieving these ends they would continue to rely heavily on market mechanisms, supplemented as necessary by government action. The capacity of the seven countries to deal with short-term problems of the oil market should be improved, particularly through the holding of adequate stocks.

The declaration recognises that, in most of the seven countries, progress in constructing new nuclear facilities has been slow. The intention in each country was to encourage greater public acceptance of nuclear energy and to respond to public concerns about safety, health, nuclear waste management and non-proliferation; further efforts would be made to develop advanced technologies, particularly in spent fuel management. The participants would take steps to realise the potential for the economic production, trade and use of coal, and would do everything in their power to ensure that its increased use did not damage the environment. They also intended to develop to the fullest possible extent sources of renewable energy such as solar, geothermal and biomass energy and looked forward to improved understanding and co-operation with the oil-exporting countries.

Conclusion

The leaders were convinced that 'our democratic, free societies are equal to the challenges we face. We will move forward together and with all countries ready to work with us in a spirit of co-operation and harmony.' They had agreed to meet again in France in 1982 and intended to maintain close links with each other.

POLITICAL ISSUES

A chairman's summary of political issues discussed at the summit, including the Middle East, East-West relations and Afghanistan, was made on 20 July by the Prime Minister of Canada, Mr Pierre Trudeau.

In the summary Mr Trudeau said that the discussion of international affairs had confirmed the participants' unity of view on the main issues confronting them. All were determined to face the issues together in a spirit of solidarity, co-operation and responsibility.

There was concern at the continuing threats to international security and stability. Lasting peace could be built only on respect for the freedom and dignity of nations and individuals, said Mr Trudeau, and the summit participants appealed to all governments to exercise restraint and responsibility in international affairs and to refrain from exploiting crises and tensions.

The Middle East

The participants remained convinced that a solution had to be found to the Arab-Israeli dispute, and deplored the escalation of tension and continuing acts of violence occurring in the region (see p 222). They were 'deeply distressed by the scale of destruction, particularly in Lebanon, and the heavy loss of life on both sides ... [and called] on all states and parties to exercise restraint, in particular to avoid retaliation, which only results in escalation, and to forego acts which could lead, in the current tense situation in the area, to further bloodshed and war'. Particular concern was expressed for 'the tragic fate of the Lebanese people', and the summit participants supported efforts to permit Lebanon to achieve a genuine national reconciliation, internal security and peace with its neighbours.

East-West Relations

Serious concern about the continuing build-up of Soviet military power was heightened by Soviet actions incompatible with the exercise of restraint and responsibility in international affairs. 'We ourselves, therefore, need a strong defence capability', Mr Trudeau said. 'We will be firm in insisting on a balance of military capabilities and on political restraint. We are prepared for dialogue and co-operation to the extent that the Soviet Union makes this possible. We are convinced of the importance of working towards balanced and verifiable arms control and disarmament agreements in pursuit of undiminished security at lower levels of armament and expenditure.'

The summit participants welcomed another major initiative by Western countries at the Madrid review meeting of the Conference on Security and Co-operation in Europe (see p 351, 1980), aimed at defining the area to be covered by the measures the proposed European disarmament conference would negotiate. It was equally important that they had proposed a number of human rights provisions that would give new hope for individuals deprived of their freedom. Soviet acceptance of these initiatives would enable a balanced conclusion of the Madrid meeting and a substantial reduction of tension in Europe.

[In the main declaration on economic issues the summit participants recorded that they had reviewed the significance of East-West economic relations for their political and security interests. They had concluded that consultation and, where appropriate, co-ordination were necessary to ensure that economic policies continued to be compatible with political and security objectives. They would undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the Soviet Union.]

Afghanistan

On Afghanistan, 'about which', Mr Trudeau continued, 'we publicly stated our firm and unanimous position at [the 1980] Venice summit [see p 215,

1980]', the situation remained unchanged and 'therefore, with the overwhelming majority of nations, we continue to condemn the Soviet military occupation'. The summit participants supported international efforts to achieve the complete withdrawal of Soviet troops and restore to the Afghan people, fighting a war of liberation, the right to determine their own future. Following a report by Britain's Secretary of State for Foreign and Commonwealth Affairs on his discussions in Moscow on behalf of European Community member states, the participants noted with approval the European Council's proposal for an international conference on Afghanistan (see pp 201-2), and called on the Soviet Union to accept it.

Other Questions

The declaration of the International Conference on Kampuchea (see p 223) was welcomed and supported in the belief that the Cambodian people are entitled to self-determination.

Participants resolved, with other states and regional organisations, to do what was necessary to enhance regional security and ensure peace built on the independence and dignity of sovereign nations. 'All peoples should be free to chart their own course without fear of outside intervention. To that end, we shall continue to promote peaceful resolution of disputes and to address underlying social and economic problems. We reaffirm our conviction that respect for independence and genuine non-alignment are important for international peace and security.'

Recalling the 1980 statement on refugees adopted at the Venice summit (see p 215, 1980), serious concern was expressed over the growing plight of refugees throughout the world. 'We reaffirm our support for international relief efforts and our appeal to all governments to refrain from actions which can lead to massive flows of refugees.'

INTERNATIONAL TERRORISM

A statement on terrorism was agreed by the heads of State and Government on 20 July.

The statement expresses serious concern about the active support given to international terrorism through the supply of money and arms to terrorist groups and about the sanctuary and training offered to terrorists, as well as the continuation of acts of violence and terrorism such as aircraft hijacking, hostage-taking and attacks against diplomatic and consular personnel and premises. The heads of State and Government reaffirm their determination vigorously to combat such flagrant violations of international law. 'Emphasising that all countries are threatened by acts of terrorism in disregard of fundamental human rights, they resolve to strengthen and broaden action within the international community to prevent and punish such acts.'

Particular concern is indicated over recent hijacking incidents threatening the safety of international civil aviation. Reaffirming the principles of the declaration at the 1978 Bonn summit (see p 296, 1978), the statement notes that several hijackings have not been resolved in conformity with international law obligations and calls upon the governments concerned to discharge their obligations promptly.

In the case of the hijacking of a Pakistan International Airlines aircraft in March,[1] the heads of States and Government are convinced, the statement continues, that 'the conduct of the Babrak Karmal government of Afghanistan, both during the incident and subsequently in giving refuge to the hijackers, was and is in flagrant breach of its international obligations under The Hague Convention to which Afghanistan is a party, and constitutes a serious threat to air safety'. Consequently the heads of State and Government propose to suspend all flights to and from Afghanistan in implementation of the Bonn declaration unless Afghanistan immediately takes steps to comply with its obligations. They also call upon states which share their concern for air safety to take appropriate action to persuade Afghanistan to honour its obligations.

Recalling the 1980 Venice summit statement on the taking of diplomatic hostages (see p 216, 1980), the heads of State and Government approve continued co-operation in the event of attacks on diplomatic and consular establishments or personnel of any of their governments. They undertake that, in the event of such incidents, their governments will immediately consult on an appropriate response; 'any state which directly aids and abets the commission of terrorist acts condemned in the Venice statement, should face a prompt international response'.

Agreement was reached to exchange information on terrorist threats and activities, and to explore co-operative measures for dealing with and countering acts of terrorism, for promoting more effective implementation of existing anti-terrorist conventions, and for securing wider adherence to them.

Employment and the Economy

A number of government measures to alleviate unemployment were announced by the Prime Minister, Mrs Margaret Thatcher, on 27 July in a wide-ranging speech on the economy, in the House of Commons (*Hansard*, Vol 9, No 150, cols 820-910). Describing the successes achieved by the Government in its policies to reduce inflation and increase competitiveness, Mrs Thatcher stressed the importance of providing as many young people as possible with training and practical experience in the use of new technologies which would form the basis of many new jobs.

Mrs Thatcher's speech was made in reply to a motion of no confidence tabled by the

[1] On 2 March hijackers forced an airliner carrying more than 100 people on an internal flight in Pakistan to fly to Kabul where, during an eight-day stay, a Pakistani passenger was killed. The aircraft later flew on to Damascus where on 15 March the hijacking came to an end and the hostages were freed following the release of over 50 people from prisons in Pakistan.

Opposition. The motion was defeated by 334 votes to 262, a Government majority of 72.

The Government's Economic Strategy

Mrs Thatcher began her speech by replying to Opposition calls for a policy of massive reflation on the basis that there was a grave shortage of demand – a shortage of money in the economy. She pointed out that the Government had provided for an increase in the money supply of about 8 per cent, which should translate into extra demand of about £15,000 million. If pay and price increases were modest there would be room for some growth and new jobs. The Government's task, therefore, was to divert the increase of money supply away from price and wage increases and into growth and more jobs. All the evidence of the past 20 years had suggested that to apply a dose of further general reflation now, when the money supply was rising as it was, would be to create accelerating inflation, leading inevitably to still higher unemployment.

The calls for reflation bore no relation whatever to the basic problem of the British economy, which was lack of competitiveness. Governments could not spend their way to prescribed targets for output and employment. Pumping more money in would stimulate inflation again, and all the efforts of the past two years to bring about a new sense of realism would have been wasted. The first step to a stronger economy was to reduce inflation. 'That', Mrs Thatcher said, 'is not some minority doctrinal obsession, pursued blindly for its own sake; it is a necessary precondition of our economic recovery.'

Repeating the Government's commitment to reduce inflation, the Prime Minister said that this was the common aim of Western governments. She went on to quote from the unanimously agreed communiqué issued at the conclusion of the Ottawa summit (see p 225): 'We must continue to reduce inflation if we are to secure the higher investment and sustainable growth on which the durable recovery of employment depends.'

In the interests of improving competitiveness the Government had removed controls on wages, prices and dividends and exchange controls, lowered income tax, encouraged new and small businesses and created enterprise zones. In addition, the Government was already providing over £1,000 million as a direct help to private industry, mostly in assisted areas. Twice as much as that was being provided to public sector industries to enable them to carry out the necessary radical restructuring, so that they would eventually be able to contribute to the recovery. All this was being done to lay the foundations for the future of private enterprise and to make public enterprise profitable. It would take time for the effects fully to be shown, but there were already signs of success. The rates of increase of wholesale prices, retail prices, unit labour costs and average earnings had all fallen substantially, and in most cases pay settlements had adjusted to the ability of the employer to pay.

Order-books in many industries were filling up again, and orders received in the first quarter of 1981 by British engineering industries were worth nearly 25 per cent more in real terms than those received in the last quarter of 1980. There were many signs of substantially improved productivity in manufacturing industry. Britain continued to be a very successful trading nation, with exports worth 33 per cent of gross domestic product. A sustained and favourable balance in overseas trade had been maintained in chemicals, mechanical engineering and building materials, and outstanding export performances had been recorded by such diverse industries as mining machinery, industrial engines and wallpaper.

New enterprises were being formed, and the Government had recently introduced a loan guarantee scheme to help small businesses. Within a month 180 loans had been guaranteed, many of them to new firms. The level of investment in plant and machinery had shown a rise compared with 1975 of the order of 30 per cent. This was investment for the future, which would give increased productivity and enable Britain to compete.

Britain was attracting major new foreign investment. Hewlett Packard of California had recently announced a plan for a second manufacturing base in Britain because in its view the country had 'the best combination of financial market and infrastructure provisions' for its project. Large new investments in south Wales had been recently announced by a Canadian telecommunications company and a Japanese television company. There were signs, Mrs Thatcher said, that the policy was working even in advance of an upturn in the world economy.

Measures to Alleviate Unemployment

The rate of increase in unemployment, Mrs Thatcher pointed out, had been declining steadily over the past few months. On a seasonally adjusted basis the July increase was the smallest since December 1979,[1] while vacancies notified in July rose for the first time for more than two years.

During the transition to a sounder based economy, efforts had to be made to ease the burden of hardship caused by unemployment. More than 800,000 people were currently being helped, at a cost of £1,000 million. The Government intended to develop these programmes, not only to help people through a difficult time, but to do so wherever possible in a way that would provide lasting benefit to the economy.

Earlier in her speech the Prime Minister had announced a programme of 20 information technology centres (see p 239), following the success of a pilot scheme. It was essential, Mrs Thatcher believed, that as many young people as possible be given training and practical experience in the use of new technologies which would form the basis of a large number of new jobs.

To assist young people who wished to stay on in school or college, an additional £60 million would be provided in 1982-83. It was hoped that up to 50,000 more young people would stay on as a result.

[1]The seasonally adjusted total of unemployed for July was 2,582,000 (30,000 more than the figure for June).

An additional £10 million in the present year and £11 million in 1982-83 would be provided for the support of longer-term skill training of young people. The Prime Minister reaffirmed the undertakings given by the Secretary of State for Employment (see pp 365-6, 1980) that all unemployed school-leavers in the current year should be offered a place on the youth opportunities programme by Christmas, and that it should also be the aim to offer a place within three months to other young people who had been unemployed for three months. These objectives would require an additional 110,000 places on the youth opportunities programme beyond the 440,000 originally planned for 1981-82, and the necessary extra resources would be provided by the Government.

While acknowledging criticism of the youth opportunities programme that the work involved was of a cosmetic nature, Mrs Thatcher believed that the programme had done a very good job in terms of the demands made on it. It was, however, being examined to see how it could be improved and consideration given to a better training scheme for the young which would eventually replace it. 'Our aim', Mrs Thatcher said, 'is to reach the position where all young people, on leaving school, either move into further education, find a job or are given the chance of vocational training or community service. We want to help the individual and to strengthen our economy by having a better trained workforce.'

Mrs Thatcher referred to the levels of wages for young people. Because these were often too high in relation to those for experienced adults, employers, despite a wish to help, could not afford to take on young people. In future, if there were to be more jobs for young people, trade unions and employers would have to take this factor into account in their bargaining. The Government proposed to encourage employers to take on more young people at realistic wage levels by introducing a scheme under which employers would be offered a weekly payment of £15 for all young employees under the age of 18 provided they were in their first year of work and their earnings were below £40 per week. It was hoped that the scheme, estimated to cost £60 million in a full year, would be introduced early in 1982.

In order to bring forward the peak of people reaching retirement age due in the mid-1980s and thus release jobs for people who were unemployed, the Government proposed to lower the age for the job release scheme until March 1984 from 64 to 63 in November and to 62 from February 1982. This would cost about £150 million in a full year. Those aged 60 and over who were unemployed and had been drawing supplementary benefit for a year or more would from November be able to retire on the higher long-term rate of supplementary benefit, at a cost of about £20 million in a full year.

Mrs Thatcher stated her belief that further opportunities for voluntary service should be developed for unemployed people of all ages; the Government would provide a further £4 million for the current year and £8 million in 1982-83 for voluntary work in connection with the community enterprise programme. An additional £4 million would also be made available in 1982-83 to expand voluntary services in support of the handicapped and elderly.

The net total cost of fulfilling the youth opportunities programme undertakings and of the other measures might be around £400 million to £500 million in 1982-83. 'We all feel concern for those who are unemployed', Mrs Thatcher concluded, 'but concern is not enough. Nor is it enough to find means of relieving the effects on individuals of our failure as a nation to compete. . . . We believe that there is no short cut to full employment. The route lies through becoming competitive again.'

Opposition View

Proposing the motion of no confidence, the Leader of the Opposition, Mr Michael Foot, had said that the immediate reason for the motion was the latest unemployment figures. The fall in output over the last two years had, he continued, been without precedent. The unemployment problem among young people was 'perhaps the most shameful tragedy', although there was also a need for special assistance for the older unemployed. The strategy which the Opposition proposed was to seek a return to full employment by reflating the economy through expansion of the public services and the infrastructure. The Opposition did not suggest that the Government desired unemployment, but there was a failure of imagination by the Government to see the consequences of its policy.

Monetary Control

In order to give the market an increased influence over the structure of interest rates the Bank of England has ended the practice, in normal circumstances, of an announced minimum lending rate. Other changes in monetary control include the abolition of the reserve asset ratio and the modification of the cash ratio.

The new arrangements,[1] announced by the Bank of England on 5 August, take effect from 20 August (the first day of the September banking month). They are the result of discussions conducted since the publication of a background note in November 1980 and of the document *Monetary Control: Next Steps* in March 1981 (see p 97).

Minimum Lending Rate

The Bank no longer continuously posts a minimum lending rate as this would be inconsistent with the objective of increasing the influence of the market over the structure of interest rates. However, the Bank might, in some circumstances, announce in advance the minimum rate which, for a short

[1]Set out in the document *Monetary Control – Provisions*. Available free from the Bank of England, Threadneedle Street, London EC2R 8AH.

period ahead, it would apply in lending to the market.

Reserve Asset Ratio

Banks are no longer required to maintain a minimum ratio of reserve assets at the Bank of England or at call with the discount market. The institutions to which the reserve asset ratio applied will discuss with the Bank, as part of the process of normal prudential supervision, any changes in their policies on the management of liquidity.

Cash Ratio

The London clearing banks are no longer required to hold 1·5 per cent of their eligible liabilities[1] as non-interest-bearing deposits at the Bank of England. Instead, all banks and licensed deposit-takers[2] must hold 0·5 per cent of their eligible liabilities as non-interest-bearing deposits at the Bank. The fulcrum for the Bank's money market operations will in future be the balances over and above the required level which the clearing banks hold voluntarily at the Bank of England.

Money Market Operations

Since November 1980 the Bank's conduct of monetary policy has taken the form of increased reliance on open market operations (the buying and selling of bills) rather than on direct lending to the money market (see p 97). Dealing rates are no longer quoted; the Bank responds to bids and offers from the market and makes public the rate at which it has transacted business. The Bank will in future aim to keep very short-term interest rates within an undisclosed band which will be moved from time to time.

These new arrangements are intended to deal with the 'bias to delay' in changing interest rates – both upwards and downwards – identified in the consultative document *Monetary Control* which appeared in 1980 (see pp 131-2, 1980). Under the new arrangements the market will have an increased role in determining the structure of short-term interest rates: although market pressure will be felt mainly in the movements of longer-term rates, which the Bank does not influence so directly, these movements will be one factor in deciding on the position of the band. This band, although undisclosed, will be changed by the Bank with the agreement of the Chancellor of the Exchequer primarily in response to the requirements of the annual monetary target.

Eligible Banks

In *Monetary Control: Next Steps* the Bank of England had set out criteria by which it would judge applications by recognised banks to join the list of those whose bills were eligible for discount at the Bank. The criteria were: whether the applicant had a broadly based and substantial bill business in Britain; whether its bills commanded the finest market rates; and whether, in the case of a foreign bank, British banks enjoyed reciprocal opportunities in the domestic market of that bank. On 5 August the Bank issued a new list of 96 recognised banks (almost twice as many as previously). The list contained a number of foreign banks, including 17 from the United States, seven from Japan and six from France.

[1]Eligible liabilities are, broadly, sterling deposit liabilities (excluding those with an original maturity of over two years) plus any sterling resources obtained by switching foreign currencies into sterling.

[2]Under the Banking Act 1979 (see p 120, 1979) an institution is not allowed to accept deposits unless it is recognised as a bank by the Bank of England or has a licence from the Bank to accept deposits.

Finance Act 1981

Changes in the special tax on banking deposits and in the business start-up scheme were the most important amendments incorporated into the Finance Bill,[1] which followed the March Budget (see pp 94-104), during its passage through Parliament. The Bill received the Royal Assent on 27 July, becoming the Finance Act 1981.

Special Tax on Banking Deposits

The special tax on banking deposits (see p 99) will now apply to non-interest-bearing sterling deposits in excess of £15 million as opposed to £10 million. The rate of tax on the first £200 million of taxable deposits has been reduced from 2·5 per cent to 2 per cent. The Government expects the changes to reduce the yield by some £25 million.

Business Start-up Scheme

The major changes to the business start-up scheme (see p 103) are its extension to wholesale and retail distribution (excluding speculative and financial investment in goods); a reduction from £1,000 to £500 in the minimum amount of investment in any one year in a single company on which an individual may claim relief against income tax; an extension from the first three years to the first five years in the life of a new business during which relief is available; and an increase from 30 per cent to 50 per cent in the proportion of the ordinary share capital of a company to which relief applies.

Companies Bill

A Bill to implement a European Community directive on company accounts and disclosures received its second reading in the House of Commons on 1 June. The Bill also makes new arrangements for the registration of business names and the controls on company names, and enables companies to purchase their own shares. Government amendments introduced after the second reading stage deal with the disclosure of interests in company shares.

[1]There were also some increases in excise duties (see pp 206-7).

Introducing the Companies (No. 2) Bill, the Minister for Trade, Mr Cecil Parkinson, said that, in addition to fulfilling Britain's European Community obligations by implementing the fourth directive on company law, the Bill contained a number of other important measures to help small businesses, streamline the administration of company law, encourage enterprise and strengthen and improve existing law (*Hansard*, Vol 5, No 110, cols 646-730).

Company Accounts

The first part of the Bill proposes to implement the fourth directive on company law (see pp 304-5, 1979). This aims at making the accounts of companies throughout the Community more readily accessible to and comparable by their users, such as shareholders, creditors, investors and analysts. The directive provided for reduced disclosure requirements on medium and small-sized companies, both for the accounts that companies prepare for their shareholders and the accounts that they must file with the Registrar of Companies. It also made it possible to dispense with the audit requirement for small companies. The Bill requires virtually all companies to continue to have their accounts audited; requires them to prepare full accounts for their shareholders; and permits medium and small-sized companies to file with the Registrar modified accounts containing less information than the full accounts prepared for shareholders. For medium-sized companies less detailed information on turnover is required; for small companies more extensive abridgement is permitted. The Bill also removes the existing requirement for directors' reports to give particulars of exports, and permits certain kinds of company – such as banking and insurance companies – to prepare accounts in the customary way and not on the basis set out in the Bill.

Company and Business Names

The second part of the Bill proposes to amend the law relating to the control of company names and to abolish the Registry of Business Names. Mr Parkinson acknowledged that these proposals were controversial. However, a huge volume of work was called for in exercising control over company names. The Parliamentary Under-Secretary of State for Trade, Mr Reginald Eyre, said that 70,000 new company registration applications and 22,500 applications for changes of company names in 1980 had required some 170,000 individual judgments by companies registry staff based on comparisons with existing names in a way that often had to be subjective. Greater objectivity was required and the Bill provided for this by applying clearer tests for the sorts of names that were or were not capable of being registered. The administration would be simplified, while essential tasks, such as preventing the registration of a name identical to the name of a company already on the register, and sifting out obscene, blasphemous or other undesirable names, would still be carried out. [Amendments were introduced after the second reading debate empowering the Government, after a certain period, to direct a company's name to be changed if it was 'too like' the name of an existing company on the register.]

Mr Eyre said that the Government considered that the Registry of Business Names – which was set up to record details of the ownership of businesses carried on under names other than those of their owners – no longer served its purpose because a large proportion of businesses were not complying with the requirement to register. To enforce compliance and bring the register up to date would require excessive funds. The Bill therefore sought to achieve the purpose of the Registry by other means – by requiring businesses to display the essential details of ownership at their premises and on business documents, and by giving any person who has dealings with a business the right to obtain the information in writing on request.

Opposition View

The Opposition spokesman on trade matters, Mr John Smith, said that the proposals to reduce the screening of company names and to abolish the Registry of Business Names were unacceptable to the Opposition. He said that a majority of interested parties who had been consulted by the Government concerning the Registry had argued that it should be retained. It allowed people doing business with certain companies to find out who operated them. The provisions in the Bill – requiring businesses to publicise details of ownership – should be supplemental to the Registry, not an alternative. On the screening of company names by the Registrar of Companies, Mr Smith said that some unscrupulous people sought to register names similar to those of companies that were already registered in order to trade for a short space of time on the confusion of the public. There should be some protection against such exploitation.

Share Capital of Companies

Provisions in the third part of the Bill relate to merger and acquisition accounting; to the relaxation of prohibitions on the provision by a company of financial assistance for the purchase of its own shares (for transactions not commercially undesirable, such as 'management buy-outs' – the acquisition by its management of a company threatened with closure); and the purchase by companies of their own shares. Mr Parkinson said that enabling purchase of own shares represented a milestone in the development of British company law. It would allow British companies to do what companies in most other European countries and in the United States could do. The Government's consultative document on the subject (see pp 220-1, 1980) had received an overwhelmingly favourable response, and it was clear that the provisions would be of real commercial value to many companies, particularly small ones, opening the way to new sources of funding.

Disclosure of Interests in Shares

The fourth part of the Bill, as it now stands, represents a Government amendment proposed at the committee stage on 7 July, and not therefore considered during the second reading debate.

At present an investor who buys more than 5 per cent of the voting shares of a public company must immediately disclose the fact. The provisions in the Bill are intended to prevent people acting in concert from acquiring a large shareholding in a public company – by each purchasing up to 5 per cent of the shares – without disclosing the fact; to increase the powers of companies to find out the real owners of shares in them; and to increase the penalties for individuals who do not comply with the requirement to disclose their interests in shares.

Other Provisions

The final part of the Bill contains a number of miscellaneous proposals. These include the streamlining of the company inspection system; the strengthening of sanctions against misconduct by companies; the requirement for the disclosure in company registers of different classes of membership of a company and the rights attaching to each class; and provision for the preparation of a consolidated Companies Act to bring together all the companies legislation from 1948 to 1981.

Nuclear Energy

The Government's reaffirmation of its commitment to the developing role of nuclear power in Britain in providing a secure and economic energy supply is given in a White Paper, published on 23 July.[1]

The White Paper contains the Government's response to the House of Commons Select Committee on Energy's report on the nuclear power programme (for publication details, see p 82), which is welcomed by the Government as a valuable contribution to the public debate on the appropriate level of orders for nuclear power stations and on reactor choice.

The Government's Nuclear Energy Strategy

The starting point for the Committee's investigations was the statement by the Secretary of State for Energy, Mr David Howell, in December 1979 (see pp 23-4, 1980) setting out the Government's view that a sizeable contribution by nuclear power would be necessary to meet Britain's long-term energy needs. The White Paper says that 'the Government has a duty to ensure as far as possible that both now and in the future Britain has available at a competitive and economic price secure supplies of energy sufficient to sustain economic activity, to accommodate growth and to provide for our people's personal welfare'. At present this security comes from dependence on mainly indigenous supplies of oil, gas and coal and, to a far lesser extent, on nuclear power. 'A supply of energy from one source is subject to interruptions from time to time, so that it is prudent to establish as wide a range of options as possible.' Provision must be made for the period when oil and gas supplies begin to decline and extraction costs to escalate, which might involve marked shifts in Britain's pattern of energy consumption. For example, the Government would expect energy conservation to have a bigger impact on the level of total demand and coal to play a larger role than at present. 'But taking account of these factors, the Government still sees an important and necessary role for nuclear power, which will develop in years ahead as older electricity generating plants are retired. It would be dangerously short-sighted to ignore this reality now, especially after a quarter of a century of the safe development of nuclear power in this country.'

Orders for Nuclear Power Stations

The Government welcomes the Select Committee's recognition of the need for continuing orders for nuclear power stations. It is anxious that Britain 'should have a reliable and cost-effective reactor system available for ordering as necessary'. Nuclear power 'has the potential to produce electricity more cheaply than fossil fuels provided that new power stations can be built to time and cost', but the White Paper says that 'it will be difficult for the industries which supply nuclear power stations to keep their costs down unless they have reasonable prospects of future orders and achieve good performance'. Orders placed in 1980 for two more advanced gas-cooled reactors to be built at Heysham (Lancashire) and Torness (Lothian) were the first domestic nuclear power orders for a decade and 'the industry therefore faces a major challenge in securing their successful and timely completion'.

The Secretary of State's statement in 1979 had recognised the need for a long-term framework within which future orders could be planned. The electricity supply industry had advised a need to order at least one new nuclear power station a year in the decade from 1982 or some 15 gigawatts of capacity over this period and the Government had accepted that orders of this magnitude represented a reasonable prospect for planning purposes. All the factors taken into account in assessing the likely need for future orders are kept under review by the Government which at present does not believe that developments since 1979 justify any major policy reappraisal, subject to flexibility over the precise timing of individual orders.

Reactor Choice

The Government welcomes the Select Committee's agreement that it is right to establish the option of an alternative reactor to the advanced gas-cooled reactor for future orders and believes that the next nuclear power station ordered should, subject to necessary consents and safety clearances, be a pressurised water reactor. Work is proceeding on the design and preparation of the safety case with a view to a public inquiry in 1982. In arriving at the choice of a pressurised water reactor the Government carefully considered other possibilities including the Canadian-

[1] *Nuclear Power*. The Government's Response to the House of Commons Select Committee on Energy's Report on the Nuclear Power Programme, Session 1980–81. Cmnd 8317. HMSO £2·30. ISBN 0 10 183170 6.

designed system known as CANDU. 'The Government thinks that the key to a successful nuclear programme is to concentrate effort and considers that the Select Committee's call for the adoption of a realistic programme of a single reactor type supports this view. It therefore regards as misconceived the Committee's suggestion that a further in-depth assessment of CANDU should be undertaken prior to any final commitment to building a pressurised water reactor at Sizewell [Suffolk], given the time that would be required to bring CANDU to the same stage of development in relation to adoption in the UK as the pressurised water reactor has now reached, the diversion of effort and potential dislocation of the existing thermal reactor programme that this would involve, and the relatively higher capital costs of the CANDU system.'

Conclusions

The White Paper says that 'the prospect of a further series of nuclear power station orders represents a necessary step towards ensuring the security of the nation's energy supplies over the longer term'. Nevertheless, the level of orders envisaged in the 1979 statement is unlikely by the year 2000 to result in more than 30 per cent of total generating capacity being nuclear, and Britain 'will therefore still remain heavily dependent upon fossil fuels. The Government rejects criticism that a potential nuclear commitment of this order is excessive. However, the approach is flexible. The Government will keep its strategy under review and does not propose to authorise specific new nuclear power station orders until it is fully satisfied that each is justified.'

Telecommunications

The private sector is to be given much greater freedom to use the national telecommunications network to provide services to third parties. Other recent developments in telecommunications include a £17 million programme to make London an internationally recognised centre of telecommunications excellence including some facilities in advance of any in the world, and further orders by British Telecom to extend its optical fibre network.

SERVICES TO THIRD PARTIES

The Government's response to the Beesley Report (see pp 148-9), which had recommended complete freedom for anyone to use the national network to provide telecommunications services to third parties, was given in a statement by the Minister for Industry and Information Technology, Mr Kenneth Baker, in the House of Commons on 30 July (*Hansard*, Vol 9, No 152, cols 1172-4). Mr Baker said that, when he had introduced Professor Beesley's report, the Secretary of State for Industry, Sir Keith Joseph, had said that the Government was attracted by the free market, please-the-customer approach. Comments had been received on the report by British Telecom, industry, trade unions and user groups, and the Department of Industry had held a seminar to allow a full discussion of the issues involved. Many of the comments had endorsed the view expressed by the Secretary of State. 'There now appears to be general acceptance', Mr Baker continued, 'that use of the British Telecom network to supply services to third parties, particularly when there is an enhancement of existing facilities, stimulates additional use of the network and thereby increases British Telecom's revenue.' The Secretary of State therefore proposed to use the powers in the British Telecommunications Act 1981 (see pp 14-16) 'to allow the private sector much greater freedom to use British Telecom's inland network, subject in every case to technical compatibility with the network and compliance with the appropriate national and international standards'. Mr Baker said that it was a large step forward which would 'help to transform telecommunications in this country from being dominated by a monopoly to being market-led and more genuinely responsive to user demand'. It would bring benefits, not only to business and industry, but to all sections of the community.

Such a transformation, Mr Baker said, could not be achieved immediately and the Secretary of State proposed that 'liberalisation of use of the network should be introduced on a step-by-step basis'. The first step would involve licensing private operators to use British Telecom circuits to supply any value added network services which it would not be supplying before April 1982 and would take effect when British Telecom took over from the Post Office formal responsibility for telecommunications, probably on 1 October 1981. The second step, applying from the beginning of 1982, would involve freedom for the private sector to use British Telecom circuits to compete with British Telecom in the supply of all kinds of services, provided that they involved substantial elements additional to the basic network facilities. However, this freedom would not apply to simple resale to third parties of capacity on circuits leased from British Telecom. 'A possible third stage might involve allowing the private sector complete freedom to use the British Telecom network to supply services to third parties, including simple resale', but this raised wider issues, and the Secretary of State would examine the consequences further in consultation with British Telecom and other interested parties.

Professor Beesley had also drawn attention, Mr Baker continued, to the implications of his recommendations for international services and for competing public networks. No liberalisation was currently proposed by the Government, but implications of the extension of liberalisation to international services would be explored further with British Telecom.

Mr Baker said that a number of organisations had been investigating the market possibilities for providing additional transmission services and a detailed application had been received from Cable and Wireless, British Petroleum and Barclays Merchant Bank for a licence to provide a business

transmission system known as 'Project Mercury'. The Government was actively considering the proposal and was, in principle, in favour of it. A technical examination of the project was in progress and a decision would be announced as soon as that had been completed. Meanwhile, British Telecom was being encouraged to respond sympathetically to suggestions for the removal of some anomalies affecting private networks, a number of which were already licensed.

'The diversity of uses to which the network can and will be put increases the importance of having a modern dynamic terminal equipment market in the United Kingdom', Mr Baker continued. Arrangements for liberalisation of the supply of terminal equipment for attachment to the British Telecom network were in hand and there had been extensive discussions on the order of priorities for the phased introduction of full competition. New technical committees of the British Standards Institution had already started to draw up the necessary standards and a working party of the British Electro-Technical Approvals Board, which had been invited to act as the authentication body under the new arrangements, was discussing the detailed procedures that it would follow.

Mr Baker said that, in the context of greater competition, Professor Beesley had also stressed the need for removal of constraints on British Telecom's capital investment. The Government shared British Telecom's belief in the benefits of a modern and efficient telecommunications network and had allowed the corporation to increase its investment substantially over the last two years. British Telecom was investing some £5 million a day and already had the largest investment programme in Britain, but would like to invest more. It had made substantial progress in improving services and in accelerating the introduction of modern technology. The Government was concerned to respond as positively as the constraints on public expenditure and public sector borrowing would permit. It had received from British Telecom a proposal for a new borrowing instrument which was being considered sympathetically and, if accepted, this would be taken into account in fixing British Telecom's level of external finance.

ADVANCED TELECOMMUNICATIONS NETWORK IN LONDON

A £17 million programme to make London 'an internationally recognised centre of telecommunications excellence involving the rapid provision of high-quality internal and international links in the next three years' was announced on 4 June by the Chairman of British Telecom, Sir George Jefferson. The programme will involve the installation of a high-quality communications network – on top of the existing standard network[1] – to be devoted primarily to advanced communications services, such as video conferencing, high-speed data or facsimile transmission, and electronic mail. Sir George said that firms wishing to use these premium facilities would be able to be connected to the new network on demand. Some of these services could be offered in a few months time, 'years ahead of their availability elsewhere in the world'.

While most of the new network will be carried on cables beneath London's streets, rooftop microwave links will be used to provide service quickly where underground circuits are not available. Laser systems, carrying telephone speech or computer data on pencil-thin 'rays' operating in the infra-red part of the spectrum, will shortly be evaluated by British Telecom for application in the network. Digital transmission, in which information is sent in the form of pulses of electricity or light instead of in traditional wave form, will be used. Advantages of this type of transmission, which is more appropriate for advanced technology, include much higher transmission speeds to obtain the full benefit of advanced terminal equipment, and the ability to send together many different services without their interfering with each other. The network's focal point will be Baynard House, London's latest telecommunications building, where the first System X electronic telephone exchange was inaugurated in 1980 (see pp 169-70, 1980). By September 1981 the first phase of circuits in the overlay network will cover the centre of London's business area – the City of London and Holborn areas – and it will be extended to the rest of central London by September 1982.

In addition to the overlay network, British Telecom will install a further network aimed at speeding the provision of private circuits. It will be a 'star-shaped' network, based almost entirely on cables, which will be set up between telephone exchange buildings in central London and, by eliminating many of the problems of linking private circuits through several exchanges, it will permit their general provision in about two weeks.

OPTICAL FIBRE NETWORK

British Telecom's plan for expansion of its optical fibre cable network, making Britain's telecommunications 'the first national network to be firmly committed to an optical future', was announced by Sir George Jefferson on 22 July. Optical fibres are strands of glass as thin as a human hair and are capable of carrying thousands of telephone calls simultaneously. The technique of telephone message transmission based on optical fibres was invented in Britain. They offer a large potential saving in the cost of transmitting telephone calls, computer data and television pictures. Among their main advantages are that less amplifying equipment is needed to boost telephone calls over long distances, they are immune to some kinds of interference, and they are smaller in size than conventional telephone cables with copper conductors. Sir George noted the important contribution made by British Telecom's research laboratories at Martlesham Heath (Suffolk) which had greatly improved the technol-

[1]London's telecommunications services accounted for nearly one-third of British Telecom's income in 1980-81; there are 6 million telephones, 77,000 private circuits, 23,000 telex machines and 11,000 telephone boxes in London. Within the last nine months a range of measures have been introduced to improve services and reduce waiting lists and delivery times.

ogy of optical fibres and speeded the introduction of the new 'monomode' fibre technology (under which light at longer wavelengths than for 'multimode' operation can travel 10 to 15 times further than in conventional cable and the signals can carry significantly more telephone calls).

Sir George said that British Telecom expected to buy at least 100,000 kilometres (62,100 miles) of optical fibre during the 1980s to create a network covering all of Britain's major cities, the world's most comprehensive optical fibre network. Optical fibres would account for about half of the long-distance trunk network capacity in 1990, contributing substantial savings in the cost of running and enlarging the national telecommunications network. From 1984 onwards all new trunk cables will be of optical fibre instead of conventional cables with copper or aluminium conductors. Sir George announced new orders worth about £15 million for 6,400 kilometres (4,000 miles), to make 800 kilometres (500 miles) of cable to be installed on 24 routes between 1982 and 1985, which would augment the 3,600 kilometres (2,200 miles) of fibre already on order (see p 170, 1980). This included an order for the world's first operational link with advanced monomode technology, a 27-kilometre (17-mile) link between Luton (Bedfordshire) and Milton Keynes (Buckinghamshire), due to be completed in 1984. British Telecom has also started feasibility studies for the world's first standards for operational optical fibre communications, with a target for implementation by 1984.

Engineering Council

The Government's proposal for the establishment of the Engineering Council (see also p 253, 1980) was announced by the Parliamentary Under-Secretary of State for Industry, Mr Michael Marshall, on 30 July (*Hansard*, Vol 9, No 153, written answers, cols 469-71). Sir Kenneth Corfield, chairman and chief executive of Standard Telephones and Cables, has agreed to become chairman designate of the Council.

Role of the Council

The Government has recommended that the Privy Council advise the Queen that a Royal Charter be granted to establish the Council, and has given details of the draft charter in a written answer to the House of Commons. The draft charter provides that the objects of the Council would be to advance education in, and to promote the science and practice of, engineering (including relevant technology) for the public benefit and thereby to promote industry and commerce in Britain. Its task would be to advance what the Finniston report (see pp 60-1, 1980) called the 'engineering dimension' – to help to harness Britain's engineering expertise into the production and marketing of internationally competitive products and into the creation of wealth. For this purpose, Mr Marshall said, the Government saw the need for the close involvement in the promotion of engineering of employers and senior managers in industries in which engineers and technicians played an important part, of those in the various sectors of the education system concerned with the preparation of engineers and technicians, and of engineers and technicians themselves and their representative bodies.

The proposed Council was intended to be a focal point with, and through, which all could cooperate in the national interest. It would promote the development of academic courses and industrial training programmes for new entrants to engineering and, even more important in the short term, help to update and develop the skills of the existing stock of engineers. The Government would look to it to ensure that the appropriate opportunities were available and that, by involving all those concerned, engineers and technicians were better equipped to deal with rapidly changing technologies and that their skills were effectively used to improve the performance of industry.

Registration of Engineers

The draft charter requires the Council to establish a national register open to anyone meeting its standards and criteria, with three sections: professional engineers; technician engineers; and engineering technicians. Within each of these sections, registration would be at three stages: the first for those who had achieved appropriate standards of engineering education; the second for those who had additionally achieved appropriate standards of engineering training; and the third for those who had acquired appropriate experience as engineers or technicans. The draft charter provides that the Council should endeavour to complete the task of determining these standards and criteria as soon as is practicable and at most within two years.

Although the Council would control the accreditation of courses, training programmes and arrangements for experience, it would use as its agents, to the maximum possible extent, engineering institutions and other bodies which it nominated for this purpose. The position of engineers already registered by the Engineers Registration Board would be safeguarded by providing for their admission at the third stage of the appropriate section of the Council's register. The draft charter also provides for the Council to admit to its register members of other bodies which it was satisfied met the appropriate standards. The title of 'Chartered Engineer', at present granted under Royal Charter by the Council of Engineering Institutions (CEI), would be made available to the Engineering Council at the end of the transition period (of a maximum of two years, see above) subject to the change being approved by the membership of the CEI. Once the title was available to the Engineering Council anyone on its register as a professional engineer at the third stage would then be able to call himself or herself a 'Chartered Engineer' provided that he or she were a member of a nominated chartered engineering institution or an affiliate of such a body;

or, if there were no such body for the branch of engineering concerned, of a body affiliated to the Council. (This latter possibility would cater for new disciplines emerging as a result of new technologies.) Any such person who did not wish to join such a body would still be able to indicate that he or she was a registered professional engineer at the third stage.

Membership of the Council

The draft charter requires that the membership of the Council should provide a reasonable balance among those having experience and knowledge of the major areas of industry, the significant engineering disciplines and their learned societies, and those concerned with the education and training of engineers and technicians. To facilitate the establishment of the Council, the Secretary of State for Industry will be responsible for making appointments – as individuals and not as representatives of any particular interest group – to the Council for the first three years. It is envisaged that Sir Kenneth Corfield's appointment as chairman would run until the end of that period, after which the Chairman and other members (between 15 and 24 in number) would be selected by the Council in accordance with its bye-laws. At least one-half of the membership would have to have experience as employers or managers of practising engineers and engineering technicians; and the chairman and at least two-thirds of the other members would have to be Chartered Engineers, selected from a list of names put forward by employers' organisations, education institutions or nominated chartered engineering institutions.

Although the Government would help to finance the initial running costs of the Council, the intention is that the Council would become financially independent as soon as possible.

Shorter Notes

INDEX-LINKED SAVINGS

Index-linked National Savings Certificates are to be available to all, regardless of age, from 7 September, the Financial Secretary to the Treasury, Mr Nigel Lawson, announced in the House of Commons on 30 July. In addition, trustees, registered friendly societies and eligible charitable and other bodies will also be able to hold the second index-linked issue of National Savings Certificates which, since November 1980, has been available to individuals over the age of 60 (see p 365, 1980) and, since April 1981, to those over 50 (see p 97). The certificates are sold in units of £10 and the maximum holding is £3,000. The Government has now increased its target for net inflows into national savings in 1981-82 from £3,000 million to £3,500 million.

Speaking in Oxford on the same day as the announcement, Mr Lawson said that the advantage of the change was that it reduced the Government's reliance on the gilt-edged market and eased the pressure on long-term interest rates. It also took account of where the increase in Britain's savings was actually occurring. In 1980-81 there had been a substantial improvement in the financial position of the personal sector at the expense of the corporate sector and, in particular, a sharp increase in the level of discretionary personal saving. The Government had thus been able to attract inflows into national savings on an unprecedented scale without imposing an excessive squeeze on the building societies, which had still generally been able to meet the demand for mortgages.

Mr Lawson saw this increased prominence of national savings not as a short-term phenomenon but as a long-term shift of policy. The Government, he said, had restored the relative flow of national savings to its former levels and it intended to maintain this.

Source: *Hansard*, Vol 9, No 153, written answers, col 508.

RETAIL TRADES

Retailing contributes about 6·5 per cent of gross domestic product in Britain, and accounts for just over 8 per cent of total employment. The Business Statistics Office's retailing inquiry for 1979, covering England, Scotland and Wales, shows that there were about 235,000 businesses with a registered turnover of £10,000 or more (at current prices). These businesses had 351,187 outlets, with a total turnover of £52,065 million, and engaged 2·4 million people (including working proprietors and part-time staff). While the number of businesses was about the same as that reported for 1978, inflation between 1978 and 1979 would have led to an increase in the number of businesses with a turnover above £10,000. It is likely, therefore, that the total number of retail businesses actually fell during 1979. The turnover of £52,065 million was 16·5 per cent higher than in 1978 at current prices and a little over 4 per cent higher at constant prices. This was above the average annual rate of growth, partly reflecting the rise in real personal disposable income in 1978 and 1979.

The share of turnover accounted for by large multiple retailers (those with 10 or more outlets) continued to increase. In 1979 it was 54 per cent compared with 51 per cent in 1976. There were 1,250 large multiple businesses in 1979 with 74,192 outlets. Small multiple retail businesses (those with more than one but less than ten outlets), numbering 26,394 with 69,465 outlets, accounted for 14 per cent of retail turnover in 1979 compared with 15 per cent in 1976, while 207,530 single outlet retailers accounted for 32 per cent of turnover compared with 34 per cent in 1976. Co-operative societies accounted for about 6·5 per cent of total retail trade in 1979 compared with 7·5 per cent in 1970.

In general, sales of consumer durables increased faster than other sales in 1979. One cause was the high level of purchases of non-food

goods between the announcement of the rise in value added tax to 15 per cent in the June Budget speech (see p 193, 1979) and the date later that month when the new rate took effect.

Among grocers and general food retailers, over 70 per cent of sales were accounted for by large multiple retailers in 1979, compared with 62 per cent in 1976. The turnover of large multiple businesses in this sector rose by nearly 20 per cent at current prices between 1978 and 1979, while that of other grocers and general food retailers rose by less than 10 per cent. Similarly, among confectioners, tobacconists and newsagents, a fall in the volume of sales in 1979 affected traders with fewer than 10 outlets far more severely than it did large multiple retailers.

The full results of the inquiry will be published later in 1981 by the Business Statistics Office in *Business Monitor SDA 25*.

Source: *British business*, 29.5.81.

FAIR TRADING REPORT

The activities of the Office of Fair Trading in 1980 are described in the annual report[1] published on 8 July. The report deals with aspects of consumer affairs – including consumer credit licensing, consumer information, complaints, voluntary codes of practice agreed with traders and action taken against traders who persistently break the law – and with aspects of competition policy, including monopolies, anti-competitive practices, mergers and restrictive trade practices.

In an introduction the Director General of Fair Trading, Mr Gordon Borrie, says that the main developments in competition policy in 1980 were the Government's statement on merger policy (see pp 219-20, 1980) and the coming into effect of the provisions of the Competition Act 1980 relating to anti-competitive practices (see p 94, 1980). He emphasises the advantages of removing uncompetitive practices by 'out of court' agreements rather than by formal proceedings.

Among developments in consumer affairs in 1980 were advances in the provision of better information about goods, services and credit terms. Mr Borrie cites in particular the 'truth in lending' provisions of the Consumer Credit Act 1974 which came into effect in October 1980 and require credit and hire businesses to show the annual percentage rate of charge in advertisements and written quotations of terms of business; legislation on misleading bargain offers (see p 204, 1979); and two of his Office's publications – a review of problems arising from the sale of used cars and a consultative document on redress under codes of practice (see pp 298-9, 1980).

The impact of licensing in discouraging unfair practices is increasing, the report notes. Nearly 50 licences were refused, revoked or varied during 1980 – a third more than in 1979. The report provides a wide range of statistical information covering matters for which the Office is responsible.

[1]*Annual Report of the Director General of Fair Trading, 1980.* HMSO, £5·70. ISBN 0 10 235481 2.

BRITISH TECHNOLOGY GROUP

The Government has accepted the proposals of the joint chairman of the National Enterprise Board and the National Research Development Corporation, Sir Frederick Wood, to integrate the operations of the two organisations under their existing statutes (see p 182). Agreement to the operation of the partnership under the joint name of the British Technology Group was given on 20 July by the Secretary of State for Industry, Sir Keith Joseph (*Hansard*, Vol 9, No 145, written answers, col 12). Pending the introduction of legislation to set up the new merged body, the two bodies will remain separately accountable and retain their existing names.

The proposals had been endorsed unanimously by members of both boards, and to this end Sir Keith had appointed a combined board under Sir Frederick comprising the non-executive members of each board; he had also approved the appointment of a common chief executive and deputy chief executive, both of whom would sit on the combined board. Sir Keith added that, by collaborating together, the two organisations should be able to carry out their existing functions more effectively and economically.

HUMBER BRIDGE

The Humber Bridge, the world's longest single-span suspension bridge, was officially opened by the Queen on 17 July.[1] Its main span of 1,410 metres (4,626 feet) is 112 metres (366 feet) longer than the previous longest main span, that of the Verrazano-Narrows Bridge, New York. Built at a cost of some £91 million, the bridge crosses the Humber Estuary and links the major port of Hull on the north bank with the industrial areas of Scunthorpe, Grimsby and Cleethorpes in south Humberside. Together with associated new roads in the area, the project substantially improves road communications between towns on the two sides of the estuary, reducing journeys by up to about 50 miles (80 kilometres), and is expected to bring major benefits to the local economy through industrial development.

The main contractors for the bridge's superstructure were British Bridge Builders, a consortium comprising the Sir William Arrol branch of the Clarke Chapman group, Cleveland Bridge and Engineering Co. Ltd (part of the Cementation group) and Redpath Dorman Long (part of the British Steel Corporation). The superstructure incorporates innovations introduced by the project's consulting engineers, Freeman, Fox and Partners, on the Severn Bridge (opened in 1966) and on the Bosporus Bridge in Turkey (opened in 1973). John Howard and Company was the main contractor for the substructure (the anchorages, the foundations for the towers, and the towers themselves – which, for the first time in a large suspension bridge, have been built with reinforced concrete instead of steel). The bridge's owner and

[1]The bridge was opened to vehicular traffic on 24 June.

operator is the Humber Bridge Board, representative of and appointed by the county and district councils on both banks of the estuary.

INFORMATION TECHNOLOGY

A national network of 20 Information Technology Centres is to be set up, as announced by the Prime Minister (see p 229). The network will be a joint initiative between the Manpower Services Commission and the Department of Industry to give unemployed young people training and work experience in microelectronics and computing skills. The Centres will develop information technology products, and close attention will be paid to the relevance of the training they provide to the needs of local industry. It is envisaged that at least one 'high technology' company will become closely associated with each Centre, offering advice and guidance together with financial support where appropriate. Likely locations for the Centres will cover a number of major towns and cities and will probably include Liverpool, Glasgow, Bristol, Manchester, Birmingham, Rhondda (south Wales), the Brixton and Southwark districts of London, Coventry and Sunderland. The director of an existing Technology Centre in west London, will be helping to establish the Centres, most of which should be operational by the spring of 1982. The Department of Industry will assist each Centre financially and the Manpower Services Commission will provide trainee allowances and contributions to salary and capital costs through its Youth Opportunities Programme.

Source: Department of Industry press notice 28.7.81.

COMPUTER SERVICES

The most recent survey of Britain's computer services industry by the Business Statistics Office shows that it continues to be one of the most rapidly growing 'high technology' industries. The survey showed that the value of total billings to clients for work done increased nearly eightfold between 1971 and 1980, from £69 million to £536 million. This represents an average annual increase of about 25 per cent, while over the same period the rate of inflation as measured by the retail prices index showed an average annual increase of 13 per cent.

The survey also showed that there was a noticeable shift in emphasis over the period between the different types of service invoiced. In particular, the processing of clients' own data and the associated data preparation fell as a proportion of the total billings from 68 per cent in 1971 to 47 per cent in 1980; while billings for professional 'systems' services – such as the preparation of software – showed sustained growth, from 20 per cent of the total in 1971 to 30 per cent in 1980. The proportion accounted for by facilities management, the sale or licence of software products and education and training rose over the period from 4 per cent to 14 per cent.

The survey showed that the share of billings taken by overseas clients increased more or less steadily from about 3·5 per cent in 1971 to about 6·5 per cent in 1980.

Source: *British business*, 26.6.81.

FIBRE-OPTICS AND OPTO-ELECTRONICS

A five-year scheme costing £25 million to support the fibre-optics and opto-electronics industries in Britain was announced by the Minister for Industry and Information Technology, Mr Kenneth Baker, in the House of Commons on 27 July.

Mr Baker explained that, in addition to microelectronics, fibre-optics and opto-electronics were playing an increasingly significant and necessary role in the expanding information technology market. Britain was fairly well advanced in these technologies and it was now necessary to develop products for the world market. The new scheme, which will come into effect immediately and be financed through the Product and Process Development Scheme under the Science and Technology Act 1965 and the Industry Act 1972, provides assistance in the form of a 25 per cent grant in three areas: research and development of fibre-optics, opto-electronics, optical sensors and instrumentation and test equipment; capital expenditure on plant, equipment and buildings; and applications of fibre-optics and opto-electronics, including feasibility studies.

[Optical fibres are hair-like glass or silica fibres along which pulses of light can be transmitted. They provide a more reliable, and potentially lower-cost and higher-capacity, alternative to conventional copper cables for the transmission of digital information (see also p 235). Opto-electronics covers a wide range of solid state devices generally characterised by their ability to convert light to electric current and vice versa; examples include photodiodes, lasers, displays and infra-red detectors.]

Britain has made a good start in the use of fibre-optics; British Telecom is active through its Proprietary Optical Line Systems programme, the first phase of which will provide 34 trunk fibre-optic links by 1982 and a second phase a further 24 links by 1985 (see p 236).

Sources: *Hansard*, Vol 9, No 153, written answers, cols 318-19; Department of Industry press notice 27.7.81.

MEDICAL ENGINEERING RESEARCH

The Science and Engineering Research Council expects to spend at least £2·5 million over the next five years on supporting research into medical engineering. To ensure that the stimulus to such research is properly applied, the Council has decided to enlarge one of its 'specially promoted

programmes' – the mechanism it uses for funding research considered to be important to national need and worthy of priority in funding. The aim is to promote more research on materials, devices and aids that can assist in the diagnosis and treatment of disease or damage in human beings.

Because of its social, economic and technological importance, the use of materials in medicine was identified by the Council's engineering board in 1977 as a research area requiring stimulation and co-ordination. A special biomaterials programme was established, under which more than £1·4 million has been awarded in grants for research in dental materials, internal prostheses and external aids. The programme has been so successful that the Council has decided to enlarge its remit, and budget, from 1 September to cover the whole of medical engineering; at the same time, it will be renamed the medical engineering programme. As well as biomaterials, the new programme will include subjects such as diagnostic electronics, control engineering, imaging, artificial limbs and areas of medical physics. It is intended to establish a number of strong interdisciplinary research groups – for example, between medicine, engineering and the natural sciences.

The Council will be collaborating closely with the National Research Development Corporation (see also p 238) to ensure the commercial exploitation of inventions resulting from the medical engineering programme. Emphasis will also be placed on strengthening the already close links in the field of biomaterials with the Medical Research Council and the Department of Health and Social Security.

Source: Science and Engineering Research Council press notice, 24.7.81.

SOCIAL AND CULTURAL AFFAIRS

Urban Disturbances

Following outbreaks of disorder in a number of English cities in early July the Prime Minister has spoken of the complex causes and of the Government's response. In a debate in the House of Commons on the disturbances the Home Secretary has emphasised the Government's support for the police in dealing with street violence while at the same time recognising the need to promote conditions in which violence is rejected and a peaceful and harmonious society created. He announced that the Secretary of State for the Environment and a Home Office Minister of State would visit Merseyside to examine the problems of an inner city area where urban decay and deprivation were deep-seated; he and the Chancellor of the Exchequer have also stressed the Government's commitment to racial equality and determination to oppose racial discrimination wherever it occurs.

After spending two and a half weeks on Merseyside the Secretary of State for the Environment has made preliminary proposals for alleviating some of the area's difficulties.

The Prime Minister, Mrs Margaret Thatcher, referred to the disturbances and to the many explanations offered about why they happened, when she spoke in the House of Commons on 27 July (*Hansard*, Vol 9, No 150, col 833). The causes, she said, appeared manifold and complex, and the disturbances did not all seem to have had the same origins. Disorders had also occurred in recent weeks in Switzerland, the Netherlands and West Berlin, 'again, as far as one can judge, all for different reasons'.

The Government's response had been twofold: full support to the police in their task of maintaining law and order; and a fresh look at the problem of the inner cities, in particular to see whether the large sums of money already being spent on them were being used in the best way.

HOUSE OF COMMONS DEBATE

The Nature of the Disturbances

Opening the debate in the House of Commons on 16 July (*Hansard*, Vol 8, Nos 143 and 144, cols 1399-504) the Home Secretary, Mr William Whitelaw, said that since Friday 3 July there had been major incidents of disorder in many of Britain's great cities. The first had occurred in Southall, London, and over the weekend from 4 to 6 July there had been serious rioting in Toxteth, Liverpool. By Tuesday 7 July and on the following two days the focus of disorder had shifted to Moss Side, Manchester, but there had still been serious outbreaks in various parts of London. From Friday, 10 July, there had been repeated street violence and looting in a number of cities. Since 3 July more than 3,000 people had been arrested for offences committed during the disturbances. Large numbers of police officers had been injured and some were still in hospital. Damage to property and the theft of property had been widespread.

The reasons for the eruption of violence and the course it had taken and the necessary responses to it had varied from place to place. In Southall, 'skinheads' from other parts of London had moved into a predominantly Asian area. Their behaviour had been provocative and the violence that had followed had undoubtedly been an expression of racial tension, but the main victims had been the police. In Toxteth, Liverpool, there had been concerted violence of a wholly new ferocity and intensity, directed first and specifically against the police. The weight of numbers and the appallingly high police injuries and property damage had necessitated the use, as a last resort, of CS gas.

This part of Liverpool had long suffered a range of social, economic and high crime problems. The three days of violence reflected the complexity of the situation. The first night had consisted largely of black youths – children of many generations of Liverpool people – erupting against the police. The second had seen a concerted attack on the police by white and black youngsters. The third had witnessed a predominantly white crowd of looters exploiting the earlier disturbances while local black leaders had played a major part in keeping their young people off the streets. In Manchester the violence had been spread over a number of areas for three nights. In the main it had focused not on a battle with the police but on window smashing and theft. The events there seemed to have set a pattern of criminal hooliganism and imitation which had been repeated around the country.

Support for the Police

Mr Whitelaw expressed his support for the way in which the police had dealt with the disturbances. There had been, of course, some criticisms of the

way particular situations had been handled but in general it should be recognised that the police had dealt with the riots with great skill. It was his first duty as Home Secretary to reassure the public that the police would have the full support of the Government and the necessary resources to tackle street violence. Whatever else the disorders represented they were first and foremost criminal acts and the offenders had to be arrested and brought before the courts. To protect the public effectively in the face of recent violence the police themselves needed extra protection, and on the previous day Mr Whitelaw had announced the decisions he had made in this respect.[1] Better protection had helped the police in adopting positive tactics to break up violent groups. The chief officers most closely involved in recent events firmly believed that the most effective approach lay in training their officers and developing their tactics for mobile and positive public order policing. Recent events had demonstrated the value of the national reporting centre of Scotland Yard in organising the rapid deployment of assistance between police forces. Discussions had taken place on organisation, training and tactics, and intensive work would take place in this field, coupled with a determination to obtain as much advance information as possible about the potential for criminal violence. This strategy set in perspective the decisions to make available equipment such as water cannon, CS gas and plastic bullets which might have a part to play as a means of last resort. This equipment should be authorised for use only by specially trained personnel and only with the authority of the chief constables.

Legal Powers

Some of the criminal charges arising from the riots would result in custodial sentences, said Mr Whitelaw. The prison system was under great pressure – the prison population now stood at 45,500 – and arrangements were in hand to provide extra places at two detention centres (for young male offenders) and to use military camps to provide extra prison accommodation.

The legal powers available had to provide a sufficient means to combat violence. There had been recent calls to reintroduce the Riot Act 1714 under which people ordered to disperse were guilty of felony if they did not do so but continued to riot. The recent disorders involved groups of violent people confronting the police and looters causing damage to property. The Riot Act was designed mainly for the first category. There were already wide-ranging powers – in common law offences of riot, rout and unlawful assembly and powers to arrest for actual or threatened breach of the peace. There was also the Public Order Act 1936 and the offence of obstructing the police in the execution of their duty. Nevertheless, it was often difficult for the police to isolate and identify particular wrongdoers in violent circumstances. He therefore intended to examine with the law ministers what powers should be available to police to maintain order and deal with disorder.

Problems of Inner Cities

Mr Whitelaw said that, besides his responsibility for seeing that the police and the courts were able to deal effectively with street violence and the duty of the Government to uphold the rule of law, it was also his responsibility to promote the conditions in which violence was rejected so that a peaceful and harmonious society was a reality for all people.

Many of the young people committing violence on the streets lived in inner city areas which suffered relatively from a range of disadvantages, including serious unemployment over a number of years.[1] Youthful violence and youthful frustration had been evident in outbreaks of football hooliganism and other acts of violence apart from the more serious recent outbreaks. The complexity of the issue had to be recognised rather than reduced to a matter of simple slogans. Some measure of failure in society had to be acknowledged, particularly as regards young people. Efforts had to be made to minimise the sense of frustration that was evident and to try to prevent it turning into violence.

The problems of urban decay and deprivation were intractable and deep-seated, particularly in Merseyside, despite the expenditure of very considerable sums of public money. The Prime Minister had asked the Secretary of State for the Environment [Mr Michael Heseltine] to go to Merseyside to discuss with local authorities, the urban development corporation and representatives of industry, commerce, the trade unions and the various communities, the problems of the area, the urgent issues raised by recent events and the opportunities that existed. He would be looking at government policies, the way they interacted with local government responsibilities and the ways in which ideas, resources and energies could be brought to bear from a wide social and industrial background. He would be accompanied by the Minister of State at the Home Office [Mr Timothy Raison] and a small team of officials.

Race Relations

There was an underlying thread of racial difficulties running through many of the incidents thought to have triggered wider demonstrations against authority and the police in particular, said Mr Whitelaw. It was right, therefore, to repeat two assurances to the ethnic communities in Britain. The first was the complete commitment of the Government to a society in which nobody was a second-class citizen and where people were treated according to their merits and as fellow

[1]In a statement to the House of Commons on 15 July (*Hansard*, Vol 8, No 142, cols 1177-83), Mr Whitelaw said that the police were being provided with special helmets, fire-resistant overalls and standard shields, and new lighter shields had been ordered. For use in extreme circumstances types of water cannon were being examined as was the need for specially protected vehicles. For use in the very last resort and under strict control, stocks of CS gas had been reviewed and appropriate groups of officers would be trained in the use of plastic bullets. There was no intention to have riot police on the continental pattern but it was important that mobile groups within each force should have proper training and equipment for riot control.

[1]Further measures to alleviate unemployment were recently announced (see p 228).

citizens. The second was his determination to see the evils of extremist racialist activity isolated and eliminated. It was for that reason he had set up the inquiry into racialist attacks (see p 81) and would report its conclusions to the House. It would certainly show that inner city communities, their leaders, the police, local authorities and the Government, together with the Commission for Racial Equality and community relations councils, must work to prevent tensions between these communities and authority from being exploited by the extremists of Right and Left.

The immediate task for the Government was to remove the scourge of criminal violence from the streets. To this end the police had to be given the fullest support and had to be provided with the necessary equipment. At the same time policies had to be developed which were designed to promote the mutual tolerance and understanding upon which the whole future of a full democratic society depended.

[Speaking to the Anglo-Asian Conservative Society on 28 July, the Chancellor of the Exchequer, Sir Geoffrey Howe, said that some extremes of opinion did not recognise the enormous contribution that different racial groups had always made to British life. In places there had been racial violence. This had come at the same time as a disturbing increase in the general level of violent behaviour, much of which had nothing to do with race. Many of the so-called 'riots' were little more than hooliganism but some of the earlier incidents had had a racial element. The response to such incidents must be to reassert that Britain was a multi-racial society. There was no logic in the argument of some extremists – and even of some politicians – that particular groups had more right to be in Britain than others. Racial discrimination had to be opposed wherever it occurred.

Much progress had been made in integrating the various communities into British life. It was all the sadder that certain extremists were trying to deny the validity of this process. The aim of the Home Secretary's inquiry into racialist activities was to assess the extent of racially motivated attacks and determine how far racialist organisations were behind them. The Government was determined to ensure that all citizens had equal protection under the law; it would not compromise with racialism.]

Opposition View

Mr Roy Hattersley, Opposition spokesman on home affairs, said that the recent violence on the streets had exceeded anything previously seen in this century. While the causes of disturbances remained – poverty, unemployment and deprivation – the chances of violence breaking out again remained. He shared the Home Secretary's view that the principal duty was to create conditions in which violence could not flourish. It was equally the Government's duty to act swiftly and strongly when violence broke out. He feared that much of what had been said would increase the possibility of further riots. Water cannon, CS gas and plastic bullets were indiscriminate, dangerous and operationally inadequate. Few chief constables would wish to employ them. The atmosphere they created would do nothing to prevent, and might actually promote, the recurrence of what happened in Toxteth and Southall, in Brixton last Easter and in Bristol last year. Some of the more recent disturbances had different causes and were the result of mindless imitation of what had been seen on television, of provocations by political extremists and of exploitation by criminals intent on looting. The second wave of violence was a product of the first and the chance of the first recurring would be increased if there was a change in the character of the British police which alienated them from the people they served and protected.

Mr Hattersley said that the principal cause of the riots was not the conduct of the police but the conditions of deprivation and despair in the decaying areas of the old cities. These areas had four common features: housing that was decaying and inadequate; a lack of amenities; inadequate provision of remedial education for deprived families and nursery places to give poor children a head start; and, most important, very high unemployment, with youth unemployment, of which he believed the riots to be a direct product, particularly breeding despair. Help was needed to aid these special areas in their special problems. Within the inner cities the people with least hope were the young unemployed, especially the young black unemployed. Black and white youths had together carried out some of the recent unacceptable practices. The black residents were the victims of inner city deprivation; as their hopes faded and their resentment increased they had to be told that in a democratic society there were democratic ways of solving their grievances.

A beginning should be made with the assurance of a job or training for every school-leaver and the assurance that resources would be made available for the school-leaver's family. There must be greater incentives for private firms and public bodies to move into inner cities. Investment was necessary in inner city schools, houses and public services. There had to be a policy of positive discrimination in favour of those young people – blacks and young Asians – whose job prospects were the worst.

PROPOSALS FOR MERSEYSIDE

At the end of his visit to Merseyside, during which he talked to people representing a very wide range of interests in the area, the Secretary of State for the Environment announced on 5 August a series of measures for the inner city areas of Liverpool. He pointed out that he had yet to report to the Cabinet which would then consider its response. Some of his proposals were experimental and he hoped that people in other parts of the country would explore similar initiatives. The proposals would draw together the private and public sectors in seeking to use existing public sector commitments in ways which would give a longer-term prospect of success. He had tried to examine existing spending programmes to see if it was possible to obtain better value for money and to secure a greater commitment from the private

sector. Mr Heseltine's proposals included the following.

Community Refurbishment Schemes in which the tenants of local authority housing estates would become involved in the rehabilitation and management of their areas. Work would be carried out by local authority direct labour departments and by private builders and jobs would be provided for unemployed craftsmen who would be expected to train young people living on the estates.

Twilight Area Multi-tenure Housing Schemes to provide additional private sector housing. The work would be undertaken by private builders in conjunction with housing associations and local authorities on sites provided by the latter and more apprentices than usual would be employed.

Community Small Firms Workshops would be established to increase employment prospects for people on Manpower Services Commission training schemes. They would occupy empty premises, for example schools provided by local authorities.

Commercial Business Training Scheme to provide two training centres for employment in commerce. One would be located in or near Toxteth where there is a concentration of young unskilled people.

Information Technology Centres (see p 239). Two further centres would be set up in Merseyside.

Youth Training Schemes in which a number of leading Merseyside firms had agreed to help further with training vacancies in their companies.

Refurbishment of Industrial Estates to improve their surroundings. Projects would be undertaken by the Manpower Services Commission in conjunction with employers on the estates and the local authorities owning them and would create worthwhile employment.

Sporting Facilities. If local sporting interests can raise £1 million from their own resources an equal sum would be contributed by the Government.

Art Gallery. The Tate Gallery may establish part of its collection in Liverpool if suitable private funds can be found.

Anglican Cathedral Precinct. Plans are to be drawn up for the development of the cathedral precinct with housing, a school, and a public open space.

Tate and Lyle Site. A further project announced by Mr Heseltine on 10 August is the development of a 22-acre site occupied by a sugar refinery closed by Tate and Lyle Ltd. earlier this year for new industrial premises and possibly housing and leisure facilities.

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National Heritage Memorial Fund First Annual Report 1980/81. Sets out the general policies which have guided the Trustees during the year in making grants and loans to organisations wishing to acquire land, buildings, works of art and other objects associated with the national heritage. HMSO, £5·30. ISBN 0 10 239481 4.

Public Lending Right – Note by the Office of Arts and Libraries. Sets out the Government's proposals for administering a scheme under the Public Lending Right Act 1979 to make payments to authors for books borrowed from public libraries (see p 439, 1978). Comments are requested by 30 September 1981. Available free from Office of Arts and Libraries, Room 2/45, Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

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